# An *Introduction* to Marx's 'Capital'

(in 3 volumes)

## Volume 3

Telugu original:

**Ranganayakamma**

English translation:

**B.R. Bapuji**

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**An *Introduction* to**
**Marx's 'Capital'**
(in 3 volumes)

Volume 3

By Ranganayakamma

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# A Note on Publication

**Mr. M. Srihari Rao** has provided funds for the publication of these three volumes. Mr. Srihari Rao is a General Surgeon by profession and is currently working in America.

About fifteen years ago, he wrote me a letter stating that he has been reading my books, that he has been changing his views due to my books and that my books helped him understand Marxism. In his subsequent letters, he offered to extend 'financial help' whenever necessary. At that time I told him that I did not need any such help.

But later (in 1985), when I wanted to bring out simultaneously all volumes of my Telugu introduction to Marx's 'Capital', I faced the problem of money. (I brought out part 1 of my Telugu 'Introduction to 'Capital' in 1978.) At this juncture, I asked Mr. Srihari Rao for an 'interest-free loan'. But, he said the money he was giving was not a 'loan' and he would like to undertake the responsibility of printing costs. I agreed with him since he accepts this theory (Marxism) and he has the necessary financial resources to meet the expenditure. As it was not necessary to pay money back to him, we have decided to use the sales-amount to reprint the books. Taking only minimum expenses into account, we have fixed the price of the Telugu version. Thus, we were able to solve the problem of printing/reprinting of the Telugu version. Otherwise, we would have to go in search of loans at the time of every reprint. (We brought out the second print of part 1 and the first print of parts 2, 3 and 4 in 1987.)

In 1989, I thought of bringing out the English version of my Telugu Introduction to 'Capital' as I felt that the original 'Capital' (that is, its English version) is difficult to understand. When I discussed this idea with Mr. Srihari Rao, he had readily agreed to provide funds for the English version also.

It is not a 'great' thing if a person does something, which he can do, for the theory that he likes. It amounts to merely discharging his duty and doing something, which he likes to do. But in the present day society, where all duties and all likes cannot stand before 'money', it is indeed a 'great' thing if a person spends substantial amount of money for a good cause. Hence, I feel it is my duty to inform the readers about the contribution of Mr. Srihari Rao.

We are bringing out the five-volume Telugu work, as it is, in a three-volume English translation. We are fixing a very low price (much lower than the usual market rate) for these three volumes in order to make them economically accessible to the readers.

**RANGANAYAKAMMA**

# Translator's Note

A note on this translation is necessary since the source language (Telugu) and the receptor language (English) are 'genetically' unrelated.

The differences in syntax (grammar) and semantics (vocabulary) of these two languages pose certain problems to the translators.

The grammatical features that posed problems were: articles, prepositions, auxiliaries, tense and aspect, voice, tag questions, conjunctions, word-order, sentence length and sentence types.

One specific feature of the original is that it does not contain even a single passive-voice sentence whereas the translation is not free from the passive voice. Another expression, which the original writer used, is 'waaDu'(non-honorific pronoun) while referring to the capitalist. As English does not have an equivalent, I had to use a neutral pronoun 'he' or other informal expressions like 'that guy' or 'that fellow'.

The problems faced in the sphere of vocabulary were: collocations, figurative expressions such as ironical expressions, idioms, metaphors, proverbs etc., appropriate use of adjectives and adverbs, units of measurements and weights, the numbers and numerals, proper names, flora and fauna, birds and animals, culture specific words and so on.

While the variety of language used in the Telugu original is 'modern colloquial standard', the variety used in the translation is a 'south-Indian sub-variety of Indian/South-Asian variety of English'. (After all there are many Englishes). This implies a syntactic and semantic substratum of the source language underlying this translation.

This translation is based on the revised version of the 2nd edition of the Telugu original. Though the Telugu original does not consist of 2 parts, the original writer made a thematic division in the case of this

English version. Part 1: Relations of Capitalist Distribution and Part 2: Towards a Classless Society.

Three persons have helped me in respect of overall language corrections (in grammar and vocabulary) without any reference to the source language text.

Ms. **P. Sailaja**, Reader, Department of English, University of Hyderabad and Mr. **P.S. Sundaram,** retired Deputy Accountant General, Hyderabad, went through part 1, that constitutes the major portion of this volume.

Mr. **V. Prakasam,** Professor at the Central Institute of English and Foreign Languages (CIEFL) went through part 2.

Ms. Sailaja, Mr. Sundaram and Mr. Prakasam made useful corrections and suggestions to improve the translation. However I carried out those corrections and suggestions after discussing them with the original writer.

Despite useful suggestions, the present translation may still have shortcomings either due to oversight or personal choice with regard to the suggestions made. Hence, I am responsible for the shortcomings that may still remain.

**B.R.Bapuji**

## A Note on Errors

There are not many spelling mistakes in all the three volumes. However, there occurred some omissions and incorrect repetitions either while translating or while typing the manuscript of the translation. As a result, readers may find incoherence at some places in the text. To cite a glaring example, instead of the word "percentages", the word "divisions" appeared on page 6 in preface to volume 1. The same error appeared on the back cover title page of volume 1 as it is an extract from the preface of volume 1. This is wholly due to oversight of the translator. Hence, the readers may kindly understand things according to the context.

**Translator**

# PART 1

# Capitalist Relations of Distribution

## Some issues once again

We can understand easily the contents of this volume only if we understand all the contents of the earlier volumes.

**How do the components of 'value' that are consumed in a 'production process' return? How do all the consumed 'products' return? These are the fundamental issues in 'Capital'! Though we have seen all these issues earlier, it is better to recall them once again before we begin this volume.**

**Hence let us recall briefly once again about the reproduction of 'value' and reproduction of 'products'. After that, the actual chapters of this volume begin with the chapter on 'Merchant's Capital'.**

To produce a thing (or to do a 'work' such as 'driving a cart'), only 2 factors, namely, means of production and people who perform labour, are necessary and no other factor is necessary. The 'past labour' (or objectified labour or dead labour) connected with means of production and the 'living labour' which the people perform while using those means constitute the 'total labour' spent on that 'thing' (or on that 'work').

That 'total labour' itself is the 'value' of that thing. (Or, the value of that 'work'. Hereafter, let us leave the 'work' and consider only the 'thing').

If we imagine that we have removed the entire factor of 'labour' (the total of living and past labours) from the 'thing', what remains then is 'natural substance' (or 'matter'). It is a matter unconnected with 'labour'. It exists in the form in which nature gave it originally. That natural matter has assumed the present form of the thing through some labour processes.

There won't be a 'product' if any one of the 2 factors, namely, natural matter and labour is absent. A 'thing' will be produced only if labour is performed on 'natural matter'. However, natural matter does not have 'value'. The entire 'value' is that of labour only. Which means, value is that of total of living and past labours.

| | | | | |
|---|---|---|---|---|
| Natural matter | + | Total of past & living labour | = | Product |
| (Matter | + | Labour | = | Thing) |
| 'Has no value' | + | Total value | = | Commodity. |
| O | + | c+v+s | = | C. |

When we speak of 'value' and its components it means that we are speaking of past and living labours only. Not about 'natural matter'.

Since the value of 'means of production' and the value of 'living labour' together constitute total value of the commodity, what remains after deducting the value of means of production from the 'commodity value' is the value of living labour.

How will the 'value', consumed in a 'production process', be reproduced? How will the consumed 'products' be reproduced? We will examine only these questions now.

# 1) Reproduction of 'value'

**What happens in the 'production process'?**

*1. Means of production (c) are consumed.* For what? For the 'new commodity'! But not for the sake of people who do labour.

Concerning **c**, the entire labour is 'past labour'. We have to understand some aspects of this factor.

1) The value of **c** adds to the 'new commodity' only by means of 'transfer'. It is not newly produced in this 'production process'. It means that this 'labour' does not take place here. The past value alone adds to the 'new commodity'. Hence, its transfer.

2) Since the value **c** is not spent on the people who do labour, labourers have no need to reproduce this value. In fact, there is never a need to 'reproduce' this value. This is not the value (living labour) that the labourers, who work in the 'production process', give. The articles produced earlier alone will be consumed here.

3) When the value of **c** adds to the 'new commodity', its quantity remains the same as before. But, it will not increase than before. Which means, 'means of production' add only their own labour but not more value than their original value. All these 3 points are connected with **c**.

*2. For the sake of 'production process', some 'products' are consumed as 'wages' (as v).* Why are these consumed? These are consumed not for the 'new commodity' and not in the 'production process'. These are consumed outside the production process for the sake of 'physical maintenance of labourers'. Since labourers alone use these products, they are obliged to do labour, in 'production process', to the extent that it is equivalent to their value (v). That is, value of **v** too was in the past. But, this value adds to the commodity by way of 'new production' again (by way of doing so much labour afresh) instead of transfer. Labourers, on the one hand, consume products of **v** outside the 'production process' and on the other hand produce the value of **v** (do so much labour) in the 'production process'. Thus, value of **v** is 'reproduced' here. Thus, labourers produce themselves the necessaries of life, which they consume.

3. The job of the labourers is not only to reproduce the value of **v** (not only to do so much labour). They do more labour than this. In fact, it is enough if the users of **v** reproduce **v** alone. But, if the labourers 'reproduce' **v** alone and stop there, the story of 'capital' will end at that moment itself. The users of **v** give **v** plus something more than that. If we name that 'more' **s**, the labour that the labourer do will be **v+s**. If we see only **v**, the hitherto existing value alone is consumed and the same value is 'reproduced'. But **s** is totally a new labour. This labour is something, which was not there earlier. This is 'surplus labour'.

After the completion of the 'production process', if we see the 'newly produced value' in terms of **c+v+s**, only **v+s** constitute the value which the labourers produced. Which means, it is the 'living labour' that the labourers did. It is the 'present labour'. While **c** is the 'dead labour' that got 'transferred' from the past. It is 'past labour'.

It is the same case,
whether it is the case of a 'single commodity', or
whether it is the case of 'total mass of commodities'.

If we see the 'value' of the total mass of commodities as **c+v+s**, even then **v+s** themselves constitute the labour of labourers, while **c** is

something that got transferred from the past. (How it entered the 'past', we will see after we go a little further).

As the portion of **c** in each commodity value adds by 'transfer' from the past, when we see all the commodities together, the entire **c** is something that got transferred from the past. $\mathbf{c}_s$ of all the commodities together constitute **c** of the total mass of commodities.

**v+s** of all the commodities taken together constitute **v+s** of the total 'mass of commodities'.

Whether it is the case of a single commodity or the case of total 'mass', the summary is

**c**...is transferred.

**v**...is reproduced.

**s**...is newly produced.

This is about 'value'!

## 2) Reproduction of 'products'

Let us now see how consumed products of **c+v+s** are reproduced (how they return).

If we divide a 'commodity', e.g., some cloth, into **c+v+s**, each one of these 3 components gets certain length of cloth depending on their value proportions: some cloth as **c**, some cloth as **v** and some cloth as **s**.

Let us keep **s** aside and see **c+v** first.

This 'cloth' has come after some 'products' are consumed as **c+v** in order to produce the whole cloth. Which means, the consumed products of **c+v** have been 'reproduced'. The consumed **c+v** are yarn, loom and the products that the labourers use. The same kind of products did not return with the cost of those products. A different kind of product has come. That is cloth! (There may be 'cloth' among the consumed products of **v**. Or, besides cloth, there may be many other kinds of products and 'cloth' might have come in lieu of all of them). All the consumed products are of different kinds! But, the produced article is of another kind! Therefore, if we look at the new 'cloth', the fact that consumed **c+v** have been reproduced will not be clear.

If we divide the same kind of product say 'cloth' or 'coal' or 'sugar', into **c+v+s**, what happens is this: The fact that consumed products return will not be intelligible since those 3 components exist in the form of the same kind of product. Only if the same products, which were consumed as **c+v**, are reproduced, the fact that consumed products have been reproduced becomes clear.

When we look at the same commodity in terms of 3 components, we can see the return of the consumed value of **c+v**, but not the consumed 'products' of **c+v**.

Hence, if we see the total mass of commodities as 3 components instead of one commodity, we can see not only the consumed value but the consumed 'products' as well.

If we see the 'total mass of commodities' (commodities in the branches of agriculture and industry) dividing them into **c+v+s**, then those 3 components will not exist as the same kind of product. Products connected with each component are found in their respective components. When we look at the matter like that, we can see the return of consumed products.

**(1) Before the production of 'total mass of production':**

Let us imagine that all the means of production necessary for that 'production process' are in a sack. The name of that sack is **c**.

Let us imagine that all the products of the 'wages' of the labourers are in another sack. Its name is **v**. Those 2 sacks will be consumed and an annual production process will take place. With that cost, a gigantic 'mass of new commodities' will make its appearance!

That new mass is not of 2 sacks but is of 3 sacks.

**c** sack, **v** sack and **s** sack!

3 sacks with 2 sacks' cost!

**c+v+s** with the cost of **c+v**.

That is, while all the products of **c+v** are returning, some 'new products' too have come along with them.

There is no wonder in having **c+v** in the 'new mass of commodities'. It is because, when a 'commodity' is produced, all that is spent on the

production of that commodity must return through it only! Similarly, even when a 'mass' is produced, **c+v** spent on its production should return. The same thing has happened here. New sack of **c** has come in lieu of consumed sack of **c**. New sack of **v** has come in return for consumed sack of **v**. Hence, there is no wonder.

The whole wonder is about the sack of **s**!

But, let us keep **s** aside and see **c+v**.

**About the new sack of c:**

All the products in this sack are newly produced ones. (These will function as new 'means of production', that is new **c**, in the future 'process of production'). Labourers produce these things as well in some branches.

If we take the process of production of 'cloth', while means of production like yarn and loom are being consumed in the making of 'cloth', that yarn and loom would be in the process of making in some other branches simultaneously. The means of production of those other branches too would be simultaneously in the making in some other branches. If we take the entire society, all the means of production that are being consumed in each branch would be simultaneously in the making. Hence, by the time the annual production process is completed and a 'new mass' is ready, all the means of production consumed in that production process will be produced in the same production process and will be available again in the 'new mass'. Which means, on the one hand the old **c** sack is consumed and on the other hand new **c** sack is being produced.

Products in the new **c** sack are produced in many branches. These are not 'means of production' while they are in the making. These are also like any other products while they are in the making. In the value of these products too, **c** portion gets 'transferred' and **v+s** portions represent newly occurring 'living labour'.

It means that, the value of the **c** sack will also consist of **c+v+s**. This total value is equal to the total of **c** values of all the branches.

It means that when products in this **c** sack are consumed as means of production in the 'new production process', their whole value is consumed as new **c**.

Values of **c** of all the branches taken together constitute value of the **c** sack.

'Means of production' consumed in all the branches taken together constitute products in the **c** sack.

Products in the **c** sack are always consumed and reproduced.

But, the value of the **c** sack is neither consumed nor 'reproduced' at any time. (This labour does not take place).

Value of **c** is always transferred from one 'mass' to another. It is always transferred like that.

**About the new sack of v:**

**v** sack too is on the one hand consumed and on the other hand reproduced simultaneously. Which means, while the old products of **v** are consumed in the houses of the labourers, new products of **v** are produced in some branches.

Values of **v** in all branches together...the value of the **v** sack.

Products of **v** in all branches together...the products in the **v** sack.

Products of **v** are reproduced each time.

Value of **v** too is reproduced each time (that is, this 'labour' takes place again in every 'production process').

Thus, whenever a new commodity (or 'mass of commodities') is produced, **c+v** that are spent on it will be readily available.

The source for the new **c** is...old **c**.

The source for the new **v** is...old **v**.

**About the new sack of s:**

These products are totally new. These are produced for the first time now. This 'value' too is totally new. (That is, this 'labour' has taken place now itself afresh).

Just as old **c** is the source of new **c**,

just as the old **v** is the source of new **v**,

the old **s** is not the source of new **s**.

There is no connection between the consumption of the old **s** and production of the new **s**. The new **s** comes from the new **v** but not the old **s**.

After examining all these facts concerning the portions of **c+v+s**, it is easy for us to understand how 'value' would be available from one 'mass' to another.

**About 'value':**

From the value of c+v, there comes value of c+v+s.

That is, from less value, there comes more value!

**About 'products':**

From the products of **c+v**, there come products of **c+v+s**.

That is, from less 'products', there come more products.

Getting more products from fewer products is possible due to 'agriculture'. In a given branch of agriculture, a handful of seeds give rise to grain of many thousands of fists. It means that in the branches of agriculture the quantity of products that we get in return for consumed products will be many hundreds and thousand times greater. Owing to this reason, even if we see the industry along with agriculture, we get more products with less production.

Now, what we have to see is the **c** that gets 'transferred' from the past.

**(2) Whose c is it that gets transferred from the past?**

We have seen that the value of the **c** of a commodity is not something that the workers, who produced that commodity, have given but it gets transferred from the past. Well, then whose was it in the past? When did it come in the past? Since 'value' simply means 'labour', the question is 'who did that labour?' That too belongs to labourers. 'Labour' always belongs to labourers. It was the 'labour', which the workers lost in the past. The value, which once becomes **c**, will always continue to be **c** only.

Let us say that labourers produced an annual 'mass of commodities'. Each 'mass of commodities' contains **s**. That **s** is consumed in 3 ways: for personal consumption of the capitalist class, for the 'productive' needs of the society and to convert into 'new capital'.

Here we need to know about that part of **s**, which converts into 'new capital'; that means conversion into **c+v**.

Since the entire **s** belongs to labourers, if some products out of it convert into new **c**, that too belongs to the labourers only. (The new **v** too belongs to labourers. But, we need to know only about **c**)

Like new **c**, the entire old **c** of the past is a converted form of the components of past **s**.

Value of **c** was originally part of 'surplus value'. Whether it is new **c** or old **c** it is what the labourers gave.

Since 'surplus production' does not reach the labourers every time, when some portion out of it converts into 'means of production', even those means do not belong to labourers.

Let us take some year as the 'first year' in our example.

Then if a production process has to take place, **c+v** should be ready by then. The production process takes place by means of already existing **c+v** and a new 'mass of products' will be produced.

If we see the value of that 'mass' in terms of **c+v+s**, only **v+s** of that mass represent the labour of labourers. Though **c** also belongs to them, they have not given it now. They gave it in the past. It gets 'transferred' and adds to the commodity value.

In that mass, old **c+v** will have come back.

**s** will also be an addition. A portion of **s** consists of products that are appropriate to convert into 'new c+v'.

The new **c+v** also add to the old **c+v** and the components that now function as **c+v** will increase.

Suppose the 2nd production process takes place now. It will not be of the old magnitude. Since it (the production process) takes place with the increased **c+v**, now a mass of products that is bigger than before will come.

If we see the value of this '2nd mass' also in terms of **c+v+s**, even now the labour of the labourers will be **v+s** only.

Value of **c** is the same, which got transferred from the past. This **c** includes the old **c** and the new **c**.

If the 3rd production process takes place later, it would take place with **c+v** that are more than the 2nd one.

Thus, some portion of **s** converts into **c** every year and that converted **c** adds to the old **c** and thus the total of **c** keeps growing.

Suppose products of '100c' are consumed in the 1st 'production process'. With these products a 'new mass' is produced. Value of the **c** is transferred to that 'mass'.

Such details as how much **s** is there in that 'mass' are irrelevant. Let us say that, out of that **s**, products of '10 value' have converted into the new **c**.

Then it will be a total of '110c'.

Later, in the 2nd production process, '110c' will be consumed. Again, a 'new mass' is produced. The entire value of **c** gets transferred to this new mass. (The transferred value includes both the old **c** of 100 as well as new **c** of 10).

Suppose '11 value' from the **s** of the 2nd mass has later converted into **c**.

Then the total **c** will be: 110+11=121.

This '121c' will be consumed in the 3rd production process and a 'new mass' will be produced. The entire value of **c** will be transferred again to that mass.

Thus, new **c** keeps adding to the old **c**, the total of **c** keeps increasing and gets added to the new mass and thereby the value of **c** keeps growing.

If we go back a thousand years and look at the situation, the 'means of production' existing then were very few. If we go back by 10 thousand years, the then existing 'means of production' were still fewer. If we go back still further, we will find a time when there were no means of production at all. It was a time when human beings lived like animals, by eating whatever found in nature.

In such a period of time, let us say, human beings climbed trees, plucked fruits and ate them. There was no 'means of production' in the work of 'plucking the fruits'. Those humans simply performed some 'living labour' of plucking the fruits by climbing the trees. There was no 'past labour'.

Fruits on the tree constitute 'natural matter'.

'Living labour' was required to get those fruits down.

If humans eat them, natural matter and living labour will be consumed.

If humans want to pluck fruits again, they have to do 'living labour' again and have to climb trees again.

Another example: during the same period, humans wanted to dig out 'roots' from the soil. For that, they searched around for a sharp piece of stone. (No one had sharpened the stone like a needle. Let us say that the stone piece itself was originally found in that form).

Roots covered by the earth in the soil are 'natural matter'.

Likewise, even the sharp piece of stone lying somewhere was also a natural matter.

Human beings did the work of 'digging' with that stone piece and took out those roots above the ground.

This work of digging is 'living labour'.

This stone piece served as a 'means of production' (as instruments of labour) to do this work. But, this means of production is not something made of human labour. It was found naturally.

How much labour did the humans spend for the sake of bringing the roots above the ground? Only 'living labour'. There was no 'past labour'.

Are the roots on the ground 'natural matter'? No. They are natural substances (matter) only when they are under the soil. When they come out after the performance of 'digging labour', they become products made of natural matter plus living labour.

What will remain if we deduct the portion of 'labour' from this 'production?'

Deducting the portion of 'labour' means non-performance of labour. If labour itself does not take place, those roots would not be above the ground. They would be covered by the soil. The stone piece would be at the same place where it was originally lying. When there is no 'labour' at

all, no 'matter' in nature will move. Hence, if we deduct the portion of 'labour' from the 'product' all the substances (matter) remain wherever they are.

Fruits ..... remain on the trees only.
Roots ..... remain under the soil only.
Fish ..... remain in water only.
Every thing ..... remains wherever it was originally.

What factors will be consumed if humans eat away those roots, which they took out by doing 'labour'?

That 'product' will be consumed. That is, natural matter and living labour will be consumed.

Humans, who eat those roots, get 'energy'. They live for some period of time.

Let us see the example a little differently.

Humans did not find any stone piece to dig out roots. All the stones were rough. Humans sharpened a stone piece like a needle.

The stone piece before sharpening was 'natural matter'.

The labour that sharpened the stone is 'living labour'. It is by means of 'living labour' alone that the stone piece became sharpened like a needle. There is no 'past labour' in this work of 'sharpening'. The needle-like stone piece is a 'means of production' (instrument of labour) made of labour.

Humans dug out roots with that stone piece.

Suppose the stone piece broke, after the roots came out.

What kinds of labour did humans perform for the 'roots'?

It was not simply 'living labour' called 'digging'.

The entire 'past labour' connected with the 'means of production' too had been consumed.

The total labour consisted of living labour and past labour that was spent on roots. The 'past labour' belonged to the same human beings that performed this 'living labour'. But the 2 kinds of labour did not take place simultaneously.

First, they 'sharpened' the stone piece. This happened in the first instance.

Later, they dug out 'roots' with it. This happened in the next instance.

When they dug out roots, what happened there was merely 'digging' work. But then 'past labour' too consumed through 'means of production'.

Though it is the same humans who perform the 'past labour', that labour gets transferred for the sake of 'roots' and 'digging labour' alone stands as living labour in the context of digging.

Now, what will happen if we deduct the entire portion of 'labour' from the 'roots' lying on the ground?

Roots will be covered by the soil.

The sharpened stone piece will remain like a rough stone piece at a given place (wherever it was originally).

The entire nature would remain unchanged just as it was in the beginning days when labour itself did not begin.

What factors will be consumed if people eat away those roots?

Natural matter, past labour and living labour will be consumed.

Thus since the days when such natural substances (matter) as stones, tree branches etc., were used as means of production. Means of production made of labour too had begun gradually.

In Marx's words:

> "If we think back to the beginnings of society, we find no produced means of production, hence no constant capital,...But Nature there directly provides the means of subsistence, which need not first be produced. Nature thereby also gives to the savage who has but few wants to satisfy, the time, not to use the as yet non-existent means of production in new production, but to transform, alongside the labour required to appropriate naturally existing means of production, other products of Nature into means of production: bows, stone knives, boats, etc." (Capital, vol.3, pp.847-8.)

Thus, human beings had begun, in the primitive stage itself, to prepare means of production on the one hand and means of subsistence on the other hand.

Whenever humans do a labour (whether they make a 'product' or do some work in a non-product form), some means of production get exhausted. That is, not only living labour but also past labour will be consumed.

These facts do not change based on the question of 'whose means of production are these?' Things will not change whether the people in the 'production process' work with their own means of production (that is 'means of production' made of their own labour) or by means of production that are not theirs. Whoseever be the means of production, while the 'production process' takes place, the past labour of means of production will simply stand as labour that gets transferred.

The answer to the question, "whose **c** is it that transfers" is this: "**c** also belongs to labourers". The whole of it is part of **s** which the labourers lost in the past.

Under capitalism, **c+v** themselves constitute capital. When a 'mass of commodities' is produced by the capital expenditure, the entire 'capital' (c+v) returns from that 'mass' and over and above that **s** also comes.

'Capital' also belongs to labourers; **s** too belongs to labourers!

Every year new capital adds to the old capital and the total capital (the total of **c+v** that functions in society) keeps increasing.

So far, we have seen about the return of components of 'value' and the return of consumed products.

If we understand all these things, it is easy to understand any issue in any chapter.

* * *

Now, we are beginning the actual chapters with 'Merchant's Capital'.

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Chapter 1

# Merchant's Capital

We have already seen briefly (in chapter on 'Profit' in part 2 of volume 1) that the entire 'surplus value', which comes after selling a 'commodity', does not belong to only the productive capitalist, who gets that commodity produced, but gets distributed in some more portions like commercial commission, interest and rent. Now, we will see in a somewhat detailed manner about each of these portions.

In the case of a commodity of any branch, the 'surplus value' that comes after the sale of the commodity would not be equal to the surplus value that is really present in that commodity. It will be somewhat less or more than the 'actual surplus value'. It happens like this due to the law of general profit (or average profit) that the commodity gets. That 'general profit' alone splits into different portions. As it happens like this in every branch, **the total of general profits of all the branches is the total of surplus values produced in society.**

In this chapter, we will first examine the 'commercial commission', which is one of the constituent parts of the 'surplus value'. (Regarding this issue, we have seen some details in the chapter 'Profit' of volume 1 and in the chapter 'Costs of Circulation' in volume 2. We will see the remaining things here.)

In order to produce a 'commodity', we have to first buy the means of production. (Converting **M** into **C**.) Even this 'buying' involves some 'expenditure'. (This has nothing to do with the price of the 'means of production'. This has something to do with the cost of buying.)

Just as 'buying' of the means of production is necessary, 'selling' of the 'new commodity' made of the means of production (converting $\mathbf{C^1}$ into $\mathbf{M^1}$) is also necessary. This 'selling' involves some expenditure.

Let us consider a 100 metre cloth. The expenditure incurred initially to 'buy' the means of production plus expenditure incurred subsequently to 'sell' the 100 metres of cloth constitute the 'trade related cost' of the commodity. Pure 'buying' and 'selling' are 'trade related' activities. The costs incurred on these activities are 'pure circulation costs' or 'costs of exchange'.

Trade activities may take place in 2 ways.

1) The 'productive' capitalist, who gets a commodity produced, may himself get the 'trade related activities' also done. Or,

2) The 'productive' capitalist may entrust all these trade activities to a 'Merchant'.

Thus these activities may take place in any one of these two ways. Or, may take place in both the ways. Whatever be the way, the essence of these activities is the same. We need to see this in some detail.

1) Suppose the productive capitalist, who gets the commodity produced, employs specifically some employees to do his trade activities. These employees are not concerned with the 'production of commodities'. They simply do the work of buying the means of production and selling of the produced commodities. The employees who do this 'commercial labour' are 'commercial workers'. All the employees, beginning from those, who stand in the shop and do the sales work to those who sweep, are commercial workers only. The capitalist who employs these people has to pay wages. He has to set up an office, shops to sell the commodity and necessary equipment. (Even to carry on 'commercial labour', some means of production and some labour of the workers will be consumed. All means of production constitute 'past labour'. Labour of the workers is 'living labour'. 'Some amount of labour', consisting of living and past labours (that is, **c+v**) is necessary to carry on these commercial activities. (Whether you call 'commercial activities' or 'exchange activities', both mean the same.)

In terms of 'value', some 'constant capital' and some 'variable capital' are necessary to carry on the commercial labour. These two together constitute 'Merchant's capital'. Commercial labour takes place by expending this capital.

What is the use for the productive capitalist if he invests this 'Merchant's capital' as well? He would get 'profit' separately on this 'capital' as well. If some capital is invested on any thing, it should get its profit separately. Hence, if the productive capitalist himself invests 'Merchant's capital', he alone would get that 'commercial profit' and it would not go to anyone else. (We will see the details later.)

2) Suppose the productive capitalist entrusts all his commercial

activities to a 'Merchant'. What will happen then? All those activities will be transferred to the Merchant and he will undertake them. That is the real difference! Then all the commercial workers will be under the Merchant. The Merchant himself invests the 'Merchant's Capital' and himself takes the profit. Thus, the essence is the same irrespective of who undertakes these activities. Whoever invests the 'capital' that fellow will get profit on that capital.

Now, let us not take the 'Merchant' first. Let us assume that the productive capitalist, who gets the commodity produced, too undertakes 'commercial activities'. Let us first understand the issue in this way and then we can consider the 'Merchant'.

In the previous volumes, whenever we said, 'so much capital has been spent on a commodity', we simply talked about 'productive capital'. All that we saw in the previous volumes is only about 'productive capitalist'. As for the question of 'Merchant's capital', we are beginning that issue only now.

2 things happen through 'productive capital':

1) Addition of 'capital value' to the commodity.

2) Addition of some 'surplus value' as well.

But, none of these two happens through 'Merchant's Capital':

Neither the capital value adds to the commodity nor the surplus value adds to the commodity through the capital.

It is because all the activities that take place through 'Merchant's capital' are 'exchange activities'. (Whether we call 'exchange activities' or 'commercial activities', it is the same.)

Exchange activities are not naturally needed either to produce an 'article' or to use it later. It is possible to produce and consume an article even without 'exchanges' (without sales and purchases). Therefore, exchange activities are 'unnatural' activities. Costs incurred on unnatural activities are unnatural costs. This unnatural cost (the cost that is not naturally needed) will not be an expenditure spent on the article. It stands as expenditure incurred outside the 'article'. We have seen that some amount of past and living labours is spent on the 'exchange' activities. After the exchange of an article takes place, if we ask thus, 'how much labour in 'total' has been spent on this article', it means that the labour

spent on the exchange activities does not enter into that 'total'. If activities like storage and transportation take place for the sake of that article, those processes are naturally needed and hence that labour will be counted as labour that has taken place for the sake of that article. It is not the same case with commercial labour. Its cost does not add to the value of the article.

When we say that 'exchange cost does not add to the value of an article', it does not mean that 'no expenditure is spent on exchange'. Some expenditure is invariably spent on the 'exchange activities'. But as it (expenditure) does not enter into the value of an article that would not increase the 'value'.

We can understand the fact that 'the value of an article does not increase due to exchange' by a small example.

If we give a 5-rupee note and take 'change' for 5 rupees (if an exchange take place between the 'note' and the 'change'), new value does not add to either of the two sides. Even after that exchange, values of both the sides will be as before. If the labour of the persons enters into the articles in an exchange, the '5 value' at both sides should have risen to some same extent over and above 5. But it will not happen like that. Same values that were there before will remain even after the exchange. This means, 'cost' of 'exchange' did not add to those aspects (note and coin).

The same is the case when an exchange takes place between '2 articles' either by way of 'barter' or between 'article' and 'money'. Though some cost is involved in 'exchange', the values of those commodities do not rise due to that cost.

Suppose the price of '1 metre cloth' is '2 rupees'. If an exchange takes place between 'cloth' and 'money' (if we give cloth and take money), or if we give 'money' and 'cloth'), the value of the cloth and the value of the money will not increase by the time the exchange is completed. The values that were there before would remain the same even after the exchange. Though some expenses are incurred both on the selling and buying of cloth, none of those expenses enters into the aspects of that exchange. Hence, their values do not change even after exchange took place.

That is, all the costs of exchange are 'unproductive costs'. 'Merchant's capital' is 'unproductive capital'.

Let us see what happens through this 'unproductive capital'.

If this 'unproductive' capital is consumed and if it does not give back its value, then what will it give? What is the purpose for which that expenditure is incurred? That expenditure will give some 'use value' or other on any occasion when it does not give 'value'. The Merchant's capital that does not give 'value' is giving a 'use value' with that expenditure. 'Rendering commercial labour' itself is the use value. This use value is naturally not needed for the articles. When we speak of 'use value', we should not arrive at the conclusion that it is always 'natural'.

But, here is a question: when Merchant's capital does not add to the value of the commodity, how will the capital get back that cost (of commercial capitalist)? Does he give it up every time and invest new capital again without getting back the costs invested? It will not happen like that.

If return of 'capital' (along with 'profit') is possible only in the case of 'productive capital' and not in the case of 'Merchant's capital', which capital would agree to function as Merchant's capital'? (Which capitalist agrees to invest 'Merchant's capital' and give it up?) Therefore, if some capital has to function as 'Merchant's capital', it too should have all the rights that a 'productive capital' has. This means, the return of Merchant's capital along with its 'general profit' from the 'commodity value' should take place just as it took place in the case of 'productive capital'. Only if it happens so, some capital could function as Merchant's capital.

It means that the problem concerning 'Merchant's capital' is that it should come out of the commodity value without entering into commercial value. Moreover, it should get profit without producing profit! These 2 things should happen through the 'commodity value' only! This is the problem of commercial capitalist!

We have been seeing right from the beginning an answer to these kinds of problems. The answer is 'surplus value' present in the commodity! The same is the answer to every 'unproductive' cost! This 'wonder' is not possible in any manner if all the unproductive costs, which do not enter into the commodity value, do not come out of the 'surplus value'.

It means that Merchant's capital spent on a commodity and its profit are parts of 'surplus value' only!

Some products and some labour (that is both dead and living labours) that function as 'Merchant's capital' are consumed without entering into the commodity value, while doing commercial activities. But, that entire cost will return to the capital through the 'commodity' only. It is immaterial to that fellow 'how it return'.

The trade related costs of a given commodity are part of 'surplus value' of that commodity. The fact remains the same whether it is in the case of an individual commodity or in the case of 'total social mass of commodities'.

The total cost that includes all the costs of trade plus its profit together constitutes a part of 'social surplus value'.

However, since all the invested capitals and their profits, come through the commodity, if we simply see the 'outward appearances' only (if we don't logically understand the 'internal' things), we will arrive at a wrong understanding that 'all capitals enter into the commodity values in the same manner'. All the capitalist calculations will be with such superficial understanding.

We have to carefully understand 'how a capitalistic understanding would be' and 'how a correct understanding should be' with regard to 'Productive capital', 'Merchant's capital' and their general profits.

Let us see an example. To make our example simple, let us suppose that a single 'production process' takes place in a year. The total productive capital functioning in that production process is 500. The Merchant's capital is 25. The general rate of profit is 20%. With these details, what will be the 'value of mass of commodities'? What will be the 'surplus value'?

The sum total of productive capital, Merchant's capital and their general profits is the 'commodity value'. (Whether we call it 'value' or 'price', both mean the same, since we are concerned here with the 'mass of total commodities'. The interest, rent etc., that a capitalist pays are present in the general profit of the capitalist. Hence, their details are irrelevant here! It is enough if we take the 'general profit'.)

**Let us first see how the capitalistic calculation would be:**

500 productive capital gets a general profit of ..... 100

25 Merchant's capital gets a general profit of ..... 5

A total of 525 capital gets a general profit of ..... 105

The total capital + its general profit = Commodity value.

525 + 105 = 630

This is the value (or, price) of 'mass of commodities'.

If we go by this calculation it appears as though a total of 525 capital has been spent; as though both productive and Merchant's capital produced their respective profits individually and as if the profits of the 2 kinds of capital amount to 105. If we go by this, the general rate of profit is 20%.

But this is not the actual fact. We have to take the data available in the capitalistic calculations, examine it with a correct perspective and understand the essence of the matter.

**According to a correct understanding:**

The total of productive capital plus the surplus value that it produces constitutes...Commodity Value.

The capital consumed to produce a 'mass of commodities' is not 525 but productive capital of 500 only. The general profit that this 500 productive capital produced is not simply 100, but the Merchant's capital plus its general profit too are parts of 'surplus value', which the productive capital produced. Thus, the total surplus value is some thing that includes them as well.

The total 'surplus value' will be like this:

1) General profit of 500 productive capital..... 100
2) Merchant's capital ..... 25
3) General profit of Merchant's capital ..... 5

Total Surplus value ..... 130

500 productive capital produces a surplus value of 130 and not simply 100.

If we add together the productive capital and the total surplus value that it produced, it will be the 'commodity value'.

Productive capital + total surplus value = commodity value.

500 + 130 = 630

That is, even according to the correct calculation, the commodity value is 630 only.

The quantity of the commodity value will be and should be identical both according to the capitalistic calculation as well as correct calculation.

Just as the 'physical magnitude' of the commodity remains the same irrespective of the manner in which people calculate it, the 'value magnitude' too should remain the same irrespective of the manner in which people calculate it. The difference arises only when people explain as how value forms. The capitalistic conception and the correct conception differ with reference to the internal factors that form 'value'.

In this example, the commodity value is only 630 irrespective of the conception. But according to the capitalistic conception, it appears as though a capital 525 gave a general profit of 105. But according to the correct understanding, a capital of 500 gave a general profit of 130.

Which means, when less capital produces more profit in the actual fact, it appears in the capitalistic calculations as though more capital is producing less profit.

Likewise, the 'general rate of profit' too appears in the capitalistic calculations on a small scale. This is how it appears:

If we see as if the total capital of 525 is producing general profit of 105 (this is not true),

then, the general rate of profit:

$$\frac{105}{525} \times 100 = 20\%.$$

On the contrary, if we see as if 500 capital produced 130 general profit (this is the actual fact),

then, the general rate of profit:

$$\frac{130}{500} \times 100=26\%.$$

In this manner, while there is a higher rate of general profit in the actual fact, a 'lower rate of general profit' appears in the capitalistic calculation.

Which means, the general rate of profit that appears in the daily life in the capitalistic calculations is not the real profit rate! The real profit rate would be still higher than what appears outwardly.

When we say that 'productive capital alone produces surplus value', here we have to recall a point, which we saw earlier. Even within the 'productive capital', all components do not produce surplus value. The component of 'variable capital' alone (only 'v' out of **c+v**) gives surplus value.

If we see the 'variable capital' in the productive capital and the 'total surplus value' that it produced in terms of percentage, it will be the 'rate of surplus value'.

If we see the entire 'productive capital' and the 'surplus value' in terms of percentage, it will be the 'real general rate of profit.

However, neither this 'rate of surplus value' nor 'the real profit rate' does appear in the capitalistic calculations. The profit rate that appears in society is simply a 'lower profit rate'. Yet, based on the factors that do not appear in the capitalist calculations, we can calculate very easily all the factors that do not appear outwardly.

Now, let us see how productive capital and merchant's capital return along with their profits, in the example of 'mass of commodities' of 630 value.

This is about the 'mass of total commodities'. Productive capital of this mass is 500. Merchant's capital is 25. The total capital that the capitalist spent is 525. The value of this mass is, let us say, 630. As this is concerned with the total mass, it is the same whether we call it 'value' or 'price'. The capitalist got '630 money' when he sold this mass. If he deducts capital from this amount, what remains is the 'general profit'. It is the same here whether you call it 'profit' or 'surplus value'. That profit

is 630-525=105. The profit is 20%. When sales of this mass of commodities are over, 500 productive capital returns and in addition 100 general profit comes. That is, the general rate of profit is 20%. Similarly, 25 Merchant's capital returns from the commodity value and 5 general profit comes on that capital. This also amounts to a profit rate of 20%. Thus, initially invested productive capital and merchant's capital come back from the value of mass of commodities and they get profits at the same rate.

Owing to the fact that the capitalist takes back the 'merchant's capital' also just as he takes back the productive capital from the 'value' (or 'price') received after selling the commodity, it appears to him as if merchant's capital too has entered into the commodity value just as the productive capital entered and hence it returned from the commodity value.

It is very much necessary to understand this point not only in the form of 'value' but also in the form of 'products'.

Let us say '1 value' means '1 article' (1 unit). Then the situation will be like this.

Productive capital consists of 500 articles. Merchant's capital consists of 25.

The mass of commodities produced consists of 630 articles.

A productive capital of 500 articles is consumed to produce this 'mass'. With this expenditure, those 500 articles are produced again and along with them another 130 articles (this is 'surplus production') are produced. Which means, 630 articles are produced with 500 articles.

25 articles are consumed as merchant's capital in connection with the exchanges of this 'mass'. All those articles were spent away and trade activities took place, but those articles have not been produced again with that expenditure. Nor, any 'surplus production' has taken place.

Now, how will that 'mass of 630 articles' be consumed?

Out of that mass, 500 articles return as 'productive capital' that was spent on that 'mass'. This is the returning of the 'productive capital'. To this capital, 100 articles from that mass come as 'general profit'.

There will still be 30 articles in the 'mass'. 25 articles out of that mass represent the already consumed 'merchant's capital'. This is

returning of merchant's capital. The remaining 5 articles represent 'general profit' on the merchant's capital.

Thus the entire 'mass of commodities' is consumed in terms of returning of productive capital and merchant's capital and their general profit. (It will be distributed into the these portions.)

Suppose the mass of commodities in a year is 500, This is mass number one.

Suppose the mass of the subsequent year is 630. This is mass number two.

The next mass consists of 750 commodities. This is mass number three.

Let us see how the trade-related costs (costs of exchange or pure circulation costs) of these 3 masses would be.

Some articles from the surplus value of the 1st mass would be consumed as 'merchant's capital' of the exchange activities of the 2nd mass. (Further, some more articles represent profit on that merchant's capital. Let us leave out the question of profit to make our example simple.)

Some portion of **s** from the 1st mass would be spent on the exchange activities related to the 2nd mass. Articles so consumed would return from the **s** of the 2nd mass.

The portion that returned from the **s** of 2nd mass would be spent on the exchange of articles of 3rd mass. This portion will return from the **s** of the 3rd mass.

The portion returned from the **s** of the 3rd mass would be spent on exchange activities of the 4th mass. This portion would return from **s** of the 4th mass.

Thus, every year, some portion from the mass of that year would be spent on the exchange activities connected with the new, subsequent mass and that portion would again be coming back from the new mass. On the whole, the essence of the matter is nothing but some production from each mass would be spent on the 'exchange activities'.

The entire expenditure incurred on exchanges in the whole society is a wasteful expenditure. If the conditions in the society were such that

'sales and purchases' are not necessary, no articles and no labour need to be spent on such activities. But, in a society where 'exchanges' are inevitable (that is, in a society where there exist private property, exploitation of labour, unequal division of labour and so on), pure costs of circulation are also inevitable. In such a society, some mass of production has to be wastefully spent on such activities. That society essentially requires that wastage. That unnaturalness alone is very much natural.

The profit that remains after deducting interest, taxes, land rent and such other payments from the 'general profit' is the profit of the enterprise.

The name of the profit that remains for a productive capital is 'Productive profit'.

The profit that remains for the merchant's capital is 'Commercial profit'.

It is the same whether it is the case of an individual commodity or the entire 'mass of commodities'.

The capitalistic view is not concerned with facts about this transaction. It is only concerned with the superficial fact that 'capital' comes back along with 'profit'. It is not concerned with the examination as to how this takes place.

We have seen that the productive capitalist, who himself undertakes commercial activities, has to invest 'capital' not only on the 'production process' but also on the 'circulation process'. But, this is not enough. The commodity will not reach the 'consumer' by means of these 2 processes only. He has to first remove the produced commodity from the production place to the store. Then, from there he has to send it outside. Which means, after the 'commodity' is produced, processes of storages and transportation have to be performed on it before it reaches the consumer. Only after these processes the sales activity takes place. Thus, the capitalist has to invest capital on not only 'production process' and 'circulation process' but also on the processes of storage and transport.

The productive capitalist, who himself undertakes his trading activities, has to invest different capitals on the whole on 3 kinds of processes:

1) On the 'production process'.

2) On the 'circulation process' (we may call this 'pure circulation process.)

3) On the processes of 'storage and transportation' (These are production process within the circulation process.)

Of these 3 processes, the 2nd and the 3rd processes together will have a single name 'circulation process'. Which means, 'process of trading' and 'certain processes of production' take place in an intertwined manner in the 'circulation process'.

Since the capitalist invests capitals on his commodity in 3 processes, he would add all the capitals when he fixes the price for his commodity. (That price includes 'merchant's capital' as well.) He adds 'profit' on each capital and fixes that total of all the capitals and profits as 'price'.

The commodity possesses that price in reality. That price forms simply due to two factors that were spent on that commodity: (1) means of production and (2) living labour. But not due to all the items (capitals and profits) that the capitalist added.

When the capitalist thus calculates and fixes the price and sells at that price, all the capitals return and profit too come along.

We have already seen earlier that the profit on capital depends on the 'magnitude' and the 'turnover period' of that capital.

Let us now see the capital spent on a commodity (on 100 metres of cloth), profits on those capitals and the price. If we understand this example carefully, things will be very clear.

Productive capital is 100. Working period is 1 week. Circulation period is 1 week. Merchant's capital is 10. Capital of storage and transportation is 15. The general rate of profit on 100 capital is 10 per week. What will be the 'commodity price' with these details?

**(1) That which adds to the commodity through 'production process':**

Productive capital is 100. Production period is 1 week. Circulation period is 1 week. Hence, 100 productive capital should get general profit of 2 weeks. He has to get 20 profit on 100 capital for 2 weeks at the rate of 10 profit for a week. That is, the value that enters into the commodity

through the 'process of production' is 100+20=120. (Here, we have to properly understand the turnover period of 'productive capital'. If a process of production has to continue after 1 week, another 100 productive capital has to function. That is, 2 productive capitals have to keep functioning complementarily to each other in production process. However, these 2 capitals are not meant for the same commodity. The 2nd capital produces the 2nd commodity. The second commodity has all the processes of its own separately. Therefore, the details of the second commodity that the second capital produces are not necessary here. Here, we have to see about one commodity only.

**(2) That which adds to the commodity through 'circulation process':** In fact nothing adds to the commodity through this process. But, since the cost connected with circulation of the commodity is part of the 'surplus value', it is also part of the 'price'. In order to calculate how it is going out of the 'surplus value' for the sake of this process, we have to see this capital and its profit together.

Merchant's capital is 10. Circulation period is 1 week only. It returns by the end of week. Hence, on this capital 1-week profit alone should come. Profit for 1 week on 10 capital is 1 at the rate of 10 profit on 100 capital for 1 week. This capital and its profit together are 11. The 'circulation process' has not produced it (11). Yet, only if we see like this, it will be clear that 11 is going out of the surplus value for the sake of this process. Since this 11 is also part of 'surplus value', it is also part of the commodity value.

**(3) That which adds to the commodity through storage and transport:** This capital is 15. Circulation period itself is the turnover of this capital. That is, one week. Profit on 15 capital for 1 week is 1½ at the rate of 10 profit for 1 week on 100 capital. That which adds to the commodity through these processes is 15+1½=16½.

Now, if we combine all the 3 processes, it is the price of the cloth.

| | | | |
|---|---|---|---|
| Capital in the 'production process' | 100+GeneralProfit | 20 | = 120 |
| Capital in the 'circulation process' | 10+General Profit | 1 | = 11 |
| Capital in the'storage&transport | 15+General Profit | 1½ | = 16½. |
| | | Price of the cloth: | 147½ |

If the capitalist sells the cloth for 147½, all the capitals return from this price and all capitals will get profits at the same rate.

This alone is the method of calculating the 'price' for any commodity.

What is the price of the cloth in this example by the time the cloth comes out of the 'production process' (before the processes of storages, transportation and circulation have taken place)? Is the price of the cloth 120 only since 'production process' alone has taken place? No. The 11 connected with the 'circulation process' too was produced in the 'production process' only. Hence, we have to also add that 11 to 120. Total will be 131. Though the 'circulation process' did not yet take place, the then existing price of the cloth is 131 but not merely 120. Of this 131, productive capital is 100. The remaining 31 is total surplus value produced through the productive capital. Later, other production processes such as storage and transportation will necessarily take place on the cloth which is ready with '131 price' and its price further increases. That is why, the price of the cloth in this example became 147½ at the time of sale.

With how much capital in total would the cloth capitalist be functioning in the production process and how much is the merchant's capital?

He would function with a total capital of 110: with 100 capital in the production process and with 10 capital in the 'circulation process'. (Here, we are not considering storage and transportation).

But in order to continue 'production process' without a halt, he would function with a total capital of 210: with 2 capitals (100+100) in the 'production process' and 10 capital (only 10) in the 'circulation process'. With this 210 capital, production process and circulation process will continue without a halt. This capital keeps producing and circulating commodities week after week.

Now, hereafter, we can introduce the 'merchant' into our discussion.

## 1) Enter the 'Merchant'

A merchant is a fellow who undertakes the entire responsibility of trading activities connected with a 'commodity'. What the merchant has to do is this: He has to purchase means of production necessary for the 'production process' of a productive capitalist from other places (either from other productive capitalists, or some times from 'Independent producers') and sell them to this productive capitalist. Similarly, he has to buy the 'new commodity', made of those means of production, from

this productive capitalist and sell to other productive capitalists (also, certain kinds of commodity to Independent producers and workers). Which means, it is the duty of the merchant to conduct the work of 'circulation of commodities'.

The merchant buys the commodities not for his personal consumption. (He will not be a 'merchant' when he buys the commodities for his personal consumption. He would simply be a consumer. Here, we are discussing simply the purchase of commodities by the merchant). The merchant buys the commodities only to sell them again. This is 'buying for the purpose of selling'.

If the merchant has to conduct 'circulation process', he has to invest that capital. Then the capital that the productive capitalist has to invest will decrease. We have to examine this issue following the 'general law' that the productive capitalist and the merchant as well take the same profit rate on their respective capitals. (Capitals have to get 'profit' on the basis of their sizes and time but not on the basis of the sphere in which they function.) The competition for profit does not occur between different branches of productive sphere alone. It occurs between the productive sphere and commercial sphere as well as among different branches within the commercial sphere. That is why, according to this law, we have to assume the same rate of profit for any capital.

Suppose a 'merchant' has entered into the cloth example. Now, who will invest which capital? Let us see the example, which we have seen earlier. (While considering the merchant also, we have to make minor modifications here and there).

**(1) About the 'production process':** Productive capital is 100. The productive capitalist invests this. We have seen earlier that this productive capital produces '31 surplus value'. But let us now suppose it to be 32. (It will be clear later why we are supposing it like this.) It means that the price of the cloth will be 132 by the time it comes out of the 'production process'. Both the cloth capitalist and the merchant as well knew that the cloth had this price by that time. If the merchant buys the cloth in the production place itself immediately after the completion of the production process, at what cost does he buy it? Does he pay the price of 132? He doesn't buy like that. The cloth capitalist gets from the merchant only 110: Productive capital of 100 and 10 profit on it for 1

week since the capital is returning within a week. That is, the cloth capitalist will give away the cloth of 132 price at 110 only. He leaves the remaining 22 as the 'commercial commission' of the merchant.

The cloth capitalist takes back his 100 capital as well as the general profit 10 on his capital from 110, which the merchant gave him. He would be able to 'reproduce' the commodities with that 100 capital.

We have seen that a total of 200 capital (100+100) is needed to carry on the production process without a halt. If the merchant were not there, the cloth fellow himself has to invest that 200. But, now, if the cloth fellow is conducting the new production process with 100, which the merchant gave him, it means that the merchant is investing the second 100. While the cloth fellow invests one 100, the merchant invests the second 100.

We have seen that, if production processes have to continue one after the other without a halt, 100+100 capital is needed. This total capital of 200 is the total productive capital.

If the merchant invests the second 100, it means that the merchant is investing one part of the productive capital. This is nothing but existing of a single large capital necessary for the productive process as 2 parts.

We have been saying right from the beginning that in order to start the production process, 'money capitalist' is needed first. It means that the merchant invests some part of that money capital.

Whatever happens in the case of a single commodity, the same thing happens in the case of mass of commodities of the whole society as well. 'Organizing the circulation process by the merchant' implies that the 2 processes (production process and the circulation process) which the productive capitalist used to organize until then have now split. It means that the circulation process has transformed into an independent process. The capital that used to function in the trade activity is now functioning independently.

The reason for saying that 'circulation process' has become an independent process is not because a different person is organizing the sales activities. Even when the productive capitalist organises the sales activities, different persons (commercial workers) perform those activities. Therefore, this is not the reason for saying that 'this process has become

independent'. The reason is simply that the merchant is investing the capital necessary for that process. Owing to this reason, it (circulation process) has become an independent process related to the merchant.

If the reproduction process has to take place under the cloth capitalist, it will not take place by means of rupee notes, which the merchant gave. It takes place due to the new means of production like yarn and loom. All those means must be ready by then in the production process of the cloth. The same thing happens in all the places of production. It happens so because of the mass of past commodities, which completed the circulation process by then. By the time a mass of new commodities comes out, a mass of past commodities will have gone into the production places (also houses) from outside.

While the reproduction processes are going on with new means of production, merchants keep selling the mass of new commodities presently available in their hands. The same thing happens each time.

Suppose the merchant, instead of immediately paying money to the capitalist for the commodity which he bought, takes it on the loan basis. Will it then also mean that the merchant invested the 2nd capital of 100? Yes! Even then, it means that the merchant invested that capital. It is because, if the merchant borrows the commodity on loan without paying money immediately, he would pay the interest on that loan.

If the commodity capitalist does not get money immediately from the merchant, the commodity fellow has to use his own money as second capital also and take the interest that the merchant gives. Or, if the commodity fellow too borrows loan from outside, he would pay to the lender the interest that he gets from the merchant. Howsoever we look at the thing, it only means that the merchant undertook the responsibility of the 2nd capital of 100.

Suppose the merchant borrows the commodity as an interest-free loan from the commodity capitalist. Let us also suppose that the merchant pays the money without interest within the due date. If it happens so, the same thing happens in the case of productive capitalist as well. That fellow, when he buys the means of production from other capitalists, buys them on loan and clears off the loan later. If it happens exactly like this among all the capitalists, activities take place with a small portion of money

capital. But, decrease in the money capital does not mean decrease in the productive capital.

If we assume that, instead of the commodity capitalist, the merchant specifically undertakes the circulation process; it appears that some more capital has functioned through the merchant. Let us see how it happens.

The fact that the merchant bought the commodity from the cloth capitalist at 110 implies that he invested 110 capital on that commodity. (The merchant cannot invest 100 capital to buy the commodity made of 110 productive capital. Since the commodity contains surplus value also, the price of the commodity will be higher than the productive capital. Hence, the merchant has invested a capital of 110 instead of 100). By 'circulation period of 1 week', we mean that this 110 capital returns in 1 week. The 'general profit' that it has to get is '11'.

(If we assume that the productive capitalist himself undertakes the circulation process, it appears that while 100 capital functioned in the first week, 100 capital functioned in the second week as well. Then the calculation would be that 100 productive capital has to get 20 general profit for 2 weeks together. But if we assume that the merchant undertook the circulation process, it amounts to the fact that while 100 capital functioned in the first week, 110 capital functioned in the second week. Due to this, the profit for 2 weeks would be 21 instead of 20. It means that the item that appeared as 20 when we saw though the productive capitalist is appearing as 21 when we see through the merchant. Whereas in the case of measurements of physical magnitude of the commodity, there will not be any differences irrespective of who sees them. But in the case of measurements of 'value', there may be minor differences depending on the specific instances. But, general laws do not change due to these differences. Depending upon the example and context, we have to understand things by making slight modifications in the thing that we learnt before.

**2) 'Circulation process':** The merchant himself invests this 10 capital. The merchant himself gets back this capital along with its general profit through the commodity.

**3) Processes of storage and transportation:** The merchant himself invests this 15 capital. He would get back this capital along with its general profit through the commodity. (Here we have to understand one thing

properly. By the time the merchant buys the 'commodity', some storage and transportation activities might have taken place.

This is how they take place: Removing the produced commodity from the 'production place' and keeping it safe in the store means that some labour of transportation and some labour of storage have taken place. The productive capitalist himself might have spent these costs. The merchant pays this value as well and takes the commodity. If it happens so, the cost that the merchant has to pay for those processes will decrease. It means that in the processes of storage and transportation, productive capitalist invests some capital and the merchant invests some capital. Both these together constitute the total cost of those processes. Here, to make our example simple, we are assuming that the merchant himself has invested the entire cost of storage and transportation.)

At the end, the 'price' at which the merchant sells the commodity to the 'consumer' will be like this:

1. Capital that purchased the commodity : 110 + Profit 11 = 121
2. Merchant's capital : 10 + Profit 1 = 11
3. Capital on storage & transportation : 15 + Profit 1½ = 16½

Commodity price at the end : 148½

The merchant sells the commodity at this price and takes back his capital along with the general profit on that capital.

The price of the commodity by the time it came out of the 'production process' was the total of 1st and 2nd processes; that is, 121+11=132. This resulted since 100 productive capital gave 32 surplus value. The merchant purchases the commodity of 132 price for 110 only; that is by a reduction of 22 (22 commission). Which means, there is a scope to add 22 to 110, the price at which the merchant purchased. If he adds 22 and sells it at 132, it becomes a 'total price' that formed in the 'production process'.

(Since storage and transportation are different processes, the value that adds through them will be different. We are not concerned with them here. Here, we are simply seeing 'how much value adds in the first production process that produced the commodity. However, this total price is not the 'value'.

There is a scope for adding 22 after purchasing the cloth with 110, isn't it? Under what heading does the merchant add that 22?

The merchant, in order to purchase the cloth not only invests 110 capital but also another 10 capital for the sake of 'circulation process', isn't it? If we combine these 2 capitals and their profit, we get 110+11+10+1=132. That is, the merchant was able to add 22 to the commodity, which he purchased, with 110. (The selling price of the commodity will become 148½, if 16½ storage and transportation are also added.)

Here, we have to understand the question, "How many parts did the merchant's 22 commission split into?' It splits into 3 parts.

1. The general profit that has to come on the 110 capital spent for purchasing the commodity from the productive capitalist. This is 11.

2. Merchant's capital. This is 10.

3. The general profit that has to come on the merchant's capital. This is 1.

These 3 aspects together are 22. The 'commission', which the merchant got, gave these 3 elements. That is, the 'commercial commission' is something that gives 3 elements.

Again, briefly:

The price of the cloth

by the time it comes out of the 'production process' : 132

The price at which the merchant purchases it : 110

The price at which the merchant finally sold it : 132

Let us term the 132 price of the commodity when it came out of 'production process' as 'production price'. It is because, in order to carry on 2 processes: (1) Producing the commodity, and (2) selling it (that is, in order to carry on the production process and the circulation process), a total of 132 cost is incurred. When the merchant sells the commodity to the consumer and if this price does not come from the consumer, it is not possible to carry on these 2 processes for the sake of the commodity. Hence, '132 price' is the production price connected with the 2 processes.

With some modification, we also term the 110 price, the price at which the commodity capitalist gives the commodity whose production price is 132, as production price. But this is the production price that is connected with the first process only. Which means, this is the price that the productive capitalist has to receive from the merchant. Without this price, the commodity fellow cannot get the commodity produced. Which means, this the production price is concerned with the productive capital only.

The production price that is connected with both production process and the circulation process is 132.

The production price connected with production process alone is 110. We may also call this 110 price as 'industrial price'. This is because, if a productive capitalist has to run an 'industry' he should get this price.

The price at which we arrive after adding the commercial commission (22) to the production price (110) of the productive capitalist is the 'mercantile price'. Or, 'market price'. This is 132. This is the price at which the merchant sells to the consumers.

What is evident from this is, the entire 132 price connected with the 2 processes is formed in the first process alone and not later.

Finally, we may show the price, at which the merchant sells the commodity, with some symbols.

1) Price at which the merchant purchased ..... 110. Symbol is B.
2) General profit on B ..... 11. Symbol is P.
3) The merchant's capital ..... 10. Symbol is K.
4) General profit on K ..... 1. Symbol is P.

(Marx himself used these symbols. These 'letters' are simply individual and isolated letters. There are no words behind these 'letters').

The price at which the merchant sells finally:

$$B + P + K + P$$
$$110 + 11 + 10 + 1 = 132.$$

Or, $B + K +$ Profits on B and K
$110 + 10 +$ $11 + 1 = 132.$

In whatever manner we may add the masses, the 'total' is the same.

Even if the cloth capitalist gave this commodity to the merchant at 110 only, it does not mean that the commodity had 110 price only by then and that the further price of 22 got added in the circulation process only.

Let us suppose that, someone may wrongly understand the 'merchant's capital' and explain the process of formation of 132 price for the cloth as follows: 'The price of the cloth by the time it came out of the 'production process' is not 132, but only 110. This was its full price by that time. The productive capitalist sells it to the merchant at the full price (110) only. Out of it, the cloth capitalist earns 10 profit. The merchant will again sell that cloth in a week. The merchant invests a commercial capital of 10 as well in that activity. Hence, the price at which the merchant sells it to the consumer will be: 110 at which the merchant bought plus the general profit on it is 11+ commercial capital 10+ its general profit 1=132. Which means, the 132-price at which the merchant sells it is formed due to the addition of all the circulation costs, but not formed in the 'production process' itself. Therefore, it is not correct to say that circulation process does not add 'value' and that the cost of the cloth before the merchant purchased it was 132. The full price of the commodity when the merchant purchased was only 110 but not more'...Let us suppose that some may argue like this. Is this correct? No.

Answer to this: If the price of the cloth by the time it comes out of the 'production process' is 110, will the cloth capitalist give that commodity at the same price, not only to the merchant but also, to the consumers as well?

If the full price of the commodity is 110 only, he should give it, at that price only, to any one who asks him, should he not? Do you say thus 'Yes! The commodity capitalist would give it at that price only to any one.'

If it is so, that commodity will be available at the cloth capitalist to any one for 110 only! In that case, why should the consumers buy it for 132 from the merchants? When that commodity is available at the productive capitalist for 110 only, how can the merchant sell it for 132, with an addition of 22? (If we combine the storage and transportation of the 2 places, even then the price at the merchant would be higher than at

the productive capitalist by 22). Why should the consumers buy the commodity at a higher price from a merchant when it is available at a lower price elsewhere?

Or, let us say, the cloth capitalist gives the 'commodity' at a price of 110 only to the merchant but not to the consumers. Then why doesn't he give? If it is the full price of that commodity, he has to give the commodity to whoever pays that price, isn't it? He gets the commodity produced for sale, isn't it? Then why doesn't he give that commodity at the same price to whoever asks for it?

The fact is that the capitalist who gets the commodity produced does not give it to the 'consumers' for the price at which he gives it to the merchant. He would give it at a lower price only if it is given to the merchant. This is because, the merchant has to sell it again and hence the costs connected with sales activities would not enter into the commodity value. Therefore, he has to take back those costs from the price of the commodity. That is why, he has to give it to the merchant at a lower price and not at its full price. The merchant would sell it later at the full price and takes his capital and profit on the capitals.

Which means, the full price (132) at which the merchant sells is something that forms in the productive process only and not later. The price (110) at which the merchant purchases from the cloth capitalist is not the full price of the cloth. It is a price reduced for the sake of the merchant only.

Consumers purchase any commodity from the merchant at its full price. In case, the consumers purchase from the productive capitalist, even then they have to pay the full price (purchasing the commodities from the productive capitalist implies that the productive capitalist himself is conducting the 'circulation process; as well). Therefore, they have to pay the full price even there. Then the 'commercial profit' will belong to that capitalist only.

What the consumers do is, they give money and take the commodity of an equivalent value. That is, giving 'value' and taking 'use value'.

The capitals spent on the commodity and the profits on the capitals come from the full price, which the consumers pay.

What does it mean if any consumer gets a commodity from a productive capital or the merchant for 130 only, while all the consumers are purchasing that commodity for 132? It simply means that the consumer too got some 'commission'. But, it does not mean that 'commodity price has decreased'.

**Then, 'Value—Production price—Market price',**
**Now, 'Production price—Mercantile price'.**
**What are the relations of these things?**

Here, we have to remember a point concerning the 'price' that we have seen earlier. In the chapter on 'capitalist price' in part 2 of volume 2, we have seen that the 'actual value' of the commodity transforms into 'production price' due to the law of general rate of profit and it again transforms into 'market price' due to **s** and **d** of the commodity. Which means, we have seen the price in 3 stages, namely, 'value production price market price'. But, now we are seeing new terms like 'the production price that a production capitalist has to get'; 'industrial price', 'mercantile price' and so on. We have to understand all the things without confusion.

Let there be any number of words, all of them taken together are related to the 3-stage process, namely, 'value—production price—market price' and so on. We have to understand all these things without confusion.

What we saw earlier is this:

First we considered 'productive capital' only. By then, we did not as yet see the 'merchant's capital'. Then, we saw the commodity price in the process of 'Value—Production price—Market price'. Of these three, 'value' never appears. The capitalist does not know about this. What appears first is the 'production price' which that fellow fixes by adding 'general profit' to the 'capital'. After sending that commodity with its 'production price' into the market that price will become somewhat higher or lower depending upon the **s** and **d** of the commodity. It will be 'market price'. If **s** and **d** are equal, the production price will not change and the same stands as 'market price'.

Suppose an example as follows: Productive capital is 100. Actual value of the commodity is 134. That is, the real surplus value in the commodity is 34. Production price of the commodity is 132. Let us say

that the 'production price' itself stands as 'market price' since **s** and **d** are equal. Then that process will be like this.

| Value | Production price | Market price |
|---|---|---|
| 134 | 132 | 132 |

Let us leave out 'value' since it does not appear. Let us begin with 'production price'. It is 132. Surplus value in this is 32. We have seen things so far in the past.

What we are now seeing is its continuation. Even now, we are seeing that price (132) only. Now, the 'merchant's capital' too came on the scene. But, there is no value that adds to the commodity through this capital. Therefore, the productive capital and the merchant's capitals have to distribute the already existing '32 surplus value' of the commodity for their profits. Further, they have to spend some portion of that 32 surplus value as 'merchant's capital' as well. We are seeing all these things here. Since we are examining the same earlier fact in terms of productive capital and merchants capital, we have to understand the 'commodity price' (132) too in terms of 2 stages in accordance with those different kinds of capital.

The 'market price' (132), about which we talked earlier, should appear now also at the end.

The productive capitalist fixes the '132 price' first. He too does not know that the commodity has a value of 134. First, he fixes '132 production price' as per his calculations and then he calculates 110 as the portion, which he has to get. The merchant would get the commodity at this price. Merchant's capital, its profit etc. add to this '110 price' and it becomes 'mercantile price'. This is 132. This is the price at which the merchant sells the commodity. The entire process will be like this:

| Value | Initial production price | Production price at which the merchant purchased, or Industrial price | Market price at which the merchant sold, or mercantile price |
|---|---|---|---|
| 134 | 132 | 110 | 132 |

If **s** and **d** of the commodity diverge, the market price may become either higher or lower, instead of being 132.

The production price at which the commodity fellow sells to the merchant and the market price at which the merchant sells to the consumers will not be the same. The first one is the price at which the merchant purchases and the second one is the price at which the merchant sells. The selling price will definitely be higher than the purchasing price.

Finally, we can easily understand the 'selling price' as 'market price'. But, it is the 'production price'. We call the initial price (132) of the commodity 'production price' and we also call the price (110) at which the capitalist gives to the merchant 'production price'. Therefore, whenever we say 'production price', we have to understand it depending upon the context which we are observing.

We have to understand things by coordinating the points of the earlier chapters with the subsequent chapters and by making modifications accordingly.

If we consider all the merchants, instead of a single merchant, we will find that commodities of all the branches are sold every and any time. This means, commodities produced in production places reach the consumers (capitalists and workers as well) through market and the new 'means of production' reach the production places. These two things keep going in their own way.

## 2) What is 'merchant's capital'?

We have seen that the merchant, who is expected to organise the 'circulation process', has to invest capital on 3 processes as a whole (for purchasing commodities, for storage and transportation and for circulation process.) But the merchant cannot do his job in the absence of any one of these 3 capitals. To conduct trade, all the 3 capitals are necessary.

But this whole capital is not 'merchant's capital'.

The capital invested in the 1st process purchases commodities from the 'productive capitalist'. This is not a 'production process'. But after this capital reaches 'productive capital, there the 'reproduction process' will begin there.

The capital in the 2nd process is (capital of storage and transportation) 'productive capital'.

The capital in the 3rd process (circulation process) alone is 'unproductive capital'. This is a capital that conducts the exchange activities. This alone is the real merchant's capital (pure circulation costs.)

However, this merchant's capital alone does not function separately. The unproductive process called 'exchange' is intertwined with such 'productive processes' as 'storage and transportation'. It means that the merchant undertakes not only unproductive process but also productive processes.

Though the entire capital connected with the circulation alone is 'merchant's capital, the entire capital that the merchant invests in all the 3 processes appears to be 'merchant's capital since it is the merchant who invests that capital. But, in order to understand the nature of the capital, we should not ask the question 'who is investing it', but 'what is the purpose for which the capital is invested'. A productive capitalist may invest some capital on trade-related activities. Or, a merchant may invest some capital on the productive activities. Therefore, the important question is 'what is the function that is takes place through capital'.

Of the capital that a merchant invests on 3 processes, the capital invested on 2 processes is 'productive capital'.

If we see productive capitalist and the commercial capitalist together, of the total capital, which these capitalists invest, except the one invested in the circulation process, the whole of the remaining capital is 'productive capital'.

But in a society where sales and purchases are inevitable, the merchant's capital is necessary as much as the 'productive capital'.

(Merchant's capital = 'commercial capital', or 'trading capital', or 'mercantile capital'. Thus with whatever name we may refer to it, merchant's capital is that capital which conducts sales and purchases.)

According to capitalistic outlook, the distinction between the production sphere and circulation sphere is simply akin to the distinction between one branch and another within the production sphere. They mean that, just as cloth branch and coal branch are undertaking different activities, production sphere and circulation sphere are doing different activities.

Since the capital that functions in any sphere brings 'profit', to the capitalistic view both production and circulation spheres are the same. They are like two different branches. There will not be any more difference than that.

Let us see some words of Marx about 'merchant's capital':

> "...the merchant's operations are really nothing but operations that must be performed at all events to convert the producer's commodity-capital into money." (Capital, vol.3, p.270)

> "Merchant's capital is simply capital functioning in the sphere of circulation. The process of circulation is a phase of the total process of reproduction. But no value is produced in the process of circulation, and therefore, no surplus-value." (Capital, vol.3, p.279)

> "Merchant's capital...does not create either value or surplus-value." (Capital, vol.3, p.280)

> "Since merchant's capital does not itself produce surplus-value, it is evident that the surplus-value which it pockets in the form of average profit must be a portion of the surplus-value produced by the total productive capital." (Capital, vol.3, p.282)

## (1) Cheapness and dearness do not apply to the merchant:

'Trade' has been there since the past societies. 'Capital' in the society originally meant 'merchant's capital'. Outwardly, it appears as if the merchant is initially purchasing the commodity cheaply at a lower price, as if he is himself adding some profit, as if he is selling it dear at a higher price and thus earning profit. In reality, the trader neither buys cheap nor sells dear. The profit that he gets is not something which he adds just like that. The whole thing is an 'inevitable' arrangement between production process and circulation process.

If a consumer buys a commodity of 132 price for 131 by the time it comes out of the 'production process', it amounts to buying 'cheap'. But, even if the merchant buys the same commodity for 110, it does not amount to buying cheap. Similarly, if the trader sells it for 132, it does not amount to selling dear. It is simply an activity necessary to take back capitals and receive profits. Hence, the terms 'cheap'; and 'dear' do not apply to the merchant. A trader may at some time get a commodity somewhat cheap. It will not happen every time. Every trader will not get like that.)

But what appears before the eyes of all people is that the merchant adds something to the purchase price, sells it at a price higher than the purchased price and takes profit. Hence, the notion that 'profit' comes just because of adding something to the initially invested capital had begun in society first by seeing the merchant's capital. Which means that profit come from the circulation process wherein sales activities take place.

In Marx's words:

"The real science of modern economy only begins when the theoretical analysis passes from the process of circulation to the process of production." (Capital, vol.3, p.337)

## (2) What If 'price' varies?

While a commodity has a price, its price may vary if its **s** and **d** vary. Or, the price may vary if the 'productive power' that produces a commodity varies. A change in the price may take place at any time: either before or after the merchant buys it. If the price changes before the purchase, the commission would be according to the price. Hence, the merchant will have neither special benefit nor special loss. If the price changes, after the merchant buys the commodity, the profit of the merchant will either rise further or fall to some extent depending on the change.

Even when the merchant sells a 'commodity' at its actual price, he would get 'general profit' from that price itself. If he can commit some 'commercial frauds', whatever he earns through those frauds will be the 'secondary' profit of the merchant. **There will be scope for secondary profit only if there is scope for the primary profit.** Which means, only when there is a primary situation whereby one class without itself doing labour, exploits another class and share surplus value, the second situation of 'earning secondary profits' will also be there.

Commercial frauds are inevitable as long as there is 'trade'.

If we are able to stop properly the primary situation (conditions of exploitation), secondary and tertiary frauds, which depend on the primary situation can not continue.

## (3) Merchants, small and big:

There will be many levels among the merchants. They are mainly 3 types.

**1) Big Commercial capitalists:** Those who do not themselves do even a single job in the trade activities but get everything done by 'employees' are big commercial capitalists. These fellows do not even stay at the 'work place'. Supervisors and managers, on behalf of commercial capitalist will make the commercial workers do the work. Though there are again such differences as 'small' and 'big' even among these capitalists, the big commercial capitalists generally operate with very large capital. The trade of these capitalists is mainly concerned with commodities of higher value.

**2) Small commercial capitalists:** These people stay at the work place. These people will also do some work or the other. Though there are again such differences as 'small' and 'big' among these people, they operate with less capital.

**3) Independent traders:** The traders, who themselves do all the activities without the help of 'workers' are 'Independent traders'. The family members, who set up a small shop, and themselves do all the activities and those who wander in the streets and sell the commodities (hawkers) come under this category. There will be 'small' and 'big' differences even among these people. While the shopkeepers operate with somewhat more capital, hawkers operate with less capital.

In this manner, merchants are mainly of 3 types.

What remains as a result of the 'trade' is 'commercial profit'. This depends on the magnitude of the capital. More profit on more capital and less profit on less capital. Hence, the big commercial capitalists, who operate with huge capital, will earn huge commercial profit. The small commercial capitalists earn somewhat less commercial profit. The independent traders earn much less commercial profit. Again, among them, the hawkers get unimaginably low commercial profit.

We have seen that the commercial profit that comes through a given commodity is part of the 'surplus value' of that commodity. Whether it is the commercial profit of big commercial capitalist who operates with thousands and lacs of capital or it is the commercial profit of a very low level independent trader who operates with a capital lower than 10 rupees, it is part of the surplus value of the commodity that they sell. However, there is a difference between a commercial capitalist and an Independent trader. The distinction is that of 'doing labour and not doing labour'.

As soon as any trader takes a commodity on 'commission' from a productive capitalist, the portion of that commission will not turn into 'money' immediately and come into the hands of the trader. The commission comes into the hands of the trader only if the selling of the commodity is completed. Many a 'commercial labour' have to take place in order to sell a commodity. If all those labours take place and commodity is sold, all the costs of circulation will be deducted from the commission and the final portion remains as 'commercial profit'.

If it is 'commercial capitalist' he would get all the labours, necessary to realise this 'commercial profit', done by labourers. If it were an Independent trader, he would himself do all those jobs. Which means, while the commercial capitalist earns 'commercial profit' without doing any labour, the Independent trader earns commercial profit only in return to the labour that he himself performs. Therefore, it means that the Independent trader is living on his own labour and not by exploiting the labour of others.

Among the Independent traders, very small shopkeepers and hawkers live in dire poverty.

In fact, there will not be any 'master' who snatches away some portion from the 'value of labour' of Independent traders. Therefore, the commercial profit which they can earn may be their 'value of labour', instead of their 'value of labour power'. But, it does not happen like that due to such factors as: competition with the shop keepers who sell the same commodity and the increasing expenditure which traders with small capital incur and so on. Thus, a large part of the labor of the Independent traders goes waste and their earnings will not be equal even to the value of labour power. Their incomes (the commercial profit that they get) cannot satisfy their minimum wants.

The hawkers are not only doing the 'commercial labour' but in fact are also doing the 'labour of transporting the commodities to deliver at the houses of the consumers.

## (4) Chain of merchants:

A commodity produced at the work place of a productive capitalist may not reach the consumer through a single trader. The trader who first purchased the commodity might sell it again to another trader. The second trader might sell to a third trader. The essence of the matter does not

change if the commodity reaches the consumer through two or three traders. If a single trader carries out the entire, 'circulation process', he alone would get commercial commission. Or, if more number of traders conduct that process, all of them distribute the same commission among themselves. That is the only difference. **The commission does not increase in quantity even if traders increase in number.**

Suppose the circulation period of the commodity is 1 week. It means that the trader has to sell it in 7 days. If the first trader who purchased the commodity from the productive capitalist sells it to another trader after 2 days, the capital of the first trader comes back within 2 days only. Therefore, that capital should get a commission of 2 days only. Thus, the first trader sells the commodity in such a manner that he leaves the commission of 5 days to the second trader. The 2nd trader pays whatever the first trader has to get and takes the commodity. If the 2nd trader later sells again the commodity to a 3rd trader after 3 days, the 3rd trader pays whatever the 2nd trader has to get. Finally, the last trader sells the commodity to the 'consumer' at the 'market price', takes back the entire costs that he incurred and also takes the commercial profit. The commissions of all these traders will constitute the 'total commercial commission'. **Every trader takes back his circulation costs from the commission that he gets and also takes the 'commercial profit'.**

Only the big commercial capitalists purchase all the commodities produced the productive capitalists. These are 'wholesale' traders. From these traders small commercial capitalist, from them still smaller commercial capitalists and Independent traders purchase. These people are 'retail' traders.

While certain kinds of commodities reach the consumers through big commercial capitalists, certain kinds of commodities go through small commercial capitalists and Independent traders.

If we assume some portion of the 'total mass of production' in society, a large part of it will go to big commercial capitalists. The portion that goes to the small-scale traders will be very small.

## 3) Commercial workers

Employees who work for the commercial capitalists are commercial or mercantile workers. It is needless to say that such employees as

managers and directors who simply do the 'labour of sitting in the chairs' do not belong to this category. Those who purchase the 'commodities', those who sell them in the shops, those who prepare bills, clerks who do the work of correspondence and other 'book keeping' activities (these book keeping activities are connected with the circulation process. The production process too involves book keeping activities but they do not belong to this category), those who travel in connection with the trading activities, those who clean shop and offices connected with the trade etc., are commercial workers only.

Just as in the case of 'productive workers', there will be different kinds of labour in the case of 'commercial workers' as well. All the labour, which the commercial workers do primarily, belongs to the manual labours.'

Since all the commercial labour is 'unproductive', all the commercial labourers are unproductive labourers.

When we see society as a whole, all commercial labour is unproductive labour. Yet, if we see from the perspective of 'merchant's capital', its activities are 'productive'. Even when we assume that the workers who do labour necessary for it are productive workers, the commercial capitalist does not get the labour of those workers in the form of 'money'. That labour will not increase 'commercial profit'. **The labour of the commercial workers simply enables the commercial capitalist to receive one portion from the surplus value of the productive labourers. But the labour of the commercial workers does not convert into money.**

In Marx's words :

> "To industrial capital the costs of circulation appear as unproductive expenses, and so they are. To the merchant they appear as a source of his profit, proportional, given the general rate of profit, to their size. The outlay to be made for these circulation costs is, therefore, a productive investment for mercantile capital. And for this reason, the commercial labour which it buys is likewise immediately productive for it." (Capital, vol.3, p.301, Moscow 1971)
>
> (In Marx's words, 'industrial capital' means 'productive capital' only. Whether it is industrial capital or agricultural capital, both are productive capitals).

Just as there are such forms of paying wages as 'piece wage' and 'time wage', there are many forms of paying wages to commercial workers as well. Monthly wage system, percentage system based on the quantity of commodities sold, system of paying bonus to those who sold more commodities etc. Whatever be the forms, in which the commercial capitalists pay, the whole thing that the workers receive would be 'wage'. It would be equal to 'the value of labour power' only.

We have seen that the 'commercial profit' a commercial capitalist gets is part of the surplus value of the productive workers who produced that commodity. Then, what about the surplus labour of the commercial workers? Will the 'commercial profit' that goes into the commercial capitalist's pocket consist of surplus value of both productive and commercial workers together? It will not be.

In the chapter 'productive labour and unproductive labour' in part 1 of volume 2, we have seen in great detail about the surplus labour of unproductive workers. The same applies to the commercial workers as well.

Commercial workers too do the surplus labour. But, the commercial capitalist does not get it in the form of 'money'.

'Commercial commission' is spent on 3 items. But here let us see only 2 items: commercial capital and its general profit. To make our example simple, let us call these 2 items as 'commercial commission'.

Suppose that a given commercial commission is 150. Out of this, commercial capital is 100. General profit is 50. The commercial capitalist puts the commercial capital into work as 60c+40v. This capital will be spent on the activities connected with the commodity sales. There will not be anything that a commercial capitalist can eat out of this 110. After the completion of commodity sale, 50 general profit comes into the pocket of the commercial capitalist. (This general profit splits into interest, rent for the land on which commercial activities take place and the commercial profit that finally remains. But, let us not be concerned with this portion. Let us suppose that the commercial capitalist himself is the representative of the whole general profit).

The 50 general profit that falls into the pocket of the commercial capitalist is the surplus value of the productive workers only. (It is the

surplus value of those workers who produced that commodity with which the commercial capitalist is trading). This is 50 money.

Now, let us see how much comes from the commercial workers. Suppose the rate of surplus value of these workers is 100%. The commercial workers who function with 40v produce surplus value of another 40 value. That is, they do a total labour of 80. But, their labour does not add to the commodity. (The value of a given commodity does not increase due to the trading activities, which they do for the sake of that commodity). Since the labour of the commercial workers does not add to the commodity it will not enter into the sale; does not change into 'money'; and does not reach the master in the form of money.

Then what the capitalist gets from the commercial workers is this. He gets the 'commercial labour' of 40+40=80 value, with the cost of 40 wages alone. The whole of it will be spent as 'use value'. That is, 'surplus labour' too is spent as 'use value' only.

The profits that the commercial capitalist gets would be as follows:

From 'productive' workers : 50 surplus value (as money)
From 'commercial' workers : 40 surplus labour (not as money)
Total profit : 90

Though the total 'surplus labour' that the commercial capitalist gets from the 2 kinds of workers is of 90 value, the whole of it does not exist in 'money' form. Out of it only 50 exists in the form of money. The remaining will be spent in the form of 'commercial labour' only. If this capitalist wants to buy some commodity with 'money', he would be able to spend only 50. He cannot buy any thing with 40, which he did not get in the form of money.

Had the commercial capitalist received the '40 surplus labour' of the commercial workers also in the form of 'money', he would have then possessed 90 money. But it will not be like that. What he had with him is 50 money.

We may call the 'surplus value' that comes from the 'productive' workers as 'direct surplus value'. We may call the 'surplus labour' that comes from the commercial workers (that is unproductive workers) in

the form of 'use value' and not in the form of 'money', as 'Indirect surplus value'.

The direct surplus value increases the money of the capitalist.

The indirect surplus value does not increase the money of the capitalist. It decreases the expenditure.

A question:

The surplus labour of the commercial workers is 40. If the commercial capitalist pays 'wage' for this 'surplus labour' as well, only 10 money will have remained with him, isn't it? 50 money is left with the commercial capitalist simply because he did not pay for the surplus labour of the commercial workers, isn't it? Hence, can we treat 40 out of 50, which the commercial capital has with him, as the surplus value of the commercial workers? We cannot treat so. If we treat it so, we commit the blunder of treating the surplus labour of the productive workers as the surplus labour of commercial workers.

The 50 money, which the commercial capitalist has with him, is the surplus value of productive workers. If we treat 40 out of this as the surplus value of the workers, it (that 40) has to be the surplus value, which the productive workers gave first and the same has to be the surplus value, which the commercial workers gave subsequently. How can the same 40 be something which one batch gave first and which the other batch gave subsequently?

Therefore, what should appear in our calculation is a 'total surplus labour of 90'. Out of this, '50 money' and '40 use value' should appear.

If we assume that commercial workers gave 40 money, then we have to arrive at an interpretation that the productive workers gave '10 money' plus '40 use value'. But, this is not true.

The truth is that the productive workers gave '50 money' and the commercial workers gave '40 use value'.

Direct surplus value exists in the 'money' form.

Indirect surplus value exists in the 'use value' form.

While the surplus labour of the productive workers comes in the form of 'money', the surplus labour of the unproductive workers comes in the form of 'use value'.

Therefore, what we have to grasp is this: The entire commercial profit that exists in society is the surplus value of productive labourers only. The surplus labour of commercial workers will not be part of that commercial profit.

In Marx's words:

> "The question now arises: What about the commercial wage workers employed by the commercial capitalist, here the merchant? In one respect, such a commercial employee is a wage-worker like any other. In the first place, his labour-power is bought with the variable capital of the merchant, not with the money expended as revenue, and consequently it is not bought for private service for it. In the second place, the value of his labour-power, and thus his wages, are determined as those of other wage-workers, i.e., by the cost of production and reproduction of his specific labour-power, not by the product of his labour." (Capital, vol.3, p.292).

To say that 'the trader gets money not by giving wages to his workers' means, that 'the commercial capitalist gets the money because the surplus labour of the commercial workers does not come in the form of money'.

See 2 more quotations from Marx on the same point.

> "The commercial worker produces no surplus-value directly. But the price of his labour is determined by the value of his labour-power, hence by its cost of production,...What he costs the capitalist and what he brings in for him, are two different things. He creates no direct surplus-value, but he adds to the capitalist's income by helping him to reduce the cost of realising surplus-value, inasmuch as he performs partly unpaid labour." (Capital, vol.3, p.300)

> "...misconception by the vulgar economist is explained on two additional counts. First, his inability to explain the peculiar nature of mercantile profit; and, secondly, his apologetic endeavours to deduce commodity-capital and money-capital, and later commercial capital and money-dealing capital as forms arising necessarily from the process of production as such, whereas they are due to the specific form of the capitalist mode of production, which above all presupposes the circulation of commodities, and hence of money, as its basis." (Capital, vol.3, p.323)

Here we have to look for clarification of some doubts.

A question: when the labour of the commercial workers does not convert into 'money', how can we calculate 'how much surplus labour do those workers give' and 'how much of their labour do they lose'? It is as follows. If we gather all the details of the capital in society, we can first easily calculate the rate of surplus value of the productive workers. (Let us say it is 100%). Since the wages of the commercial workers too constitute the 'value of labour power', we can calculate that these workers are also giving 'surplus labour' at the same rate (100%). Which means, the rate of surplus **value** of the productive workers will also stand as the rate of surplus **labour** of the unproductive workers.

Another question: Let us say that a total commercial capital of 100 is spent in a year in all the branches taken together. Does it mean that all the trading activities necessary for the society have taken place only with '100 capital'? No. The surplus labour of the commercial workers too is spent on the trading activities. Therefore, what is spent on the trading activities is not simply the 'merchant's capital' that appears in the calculations but also the surplus labour of the merchant's workers that does not appear in the calculations. Trading activities take place with a total expenditure consisting of merchant's capital and its surplus labour.

The third question: Does it mean that, while the productive capitalist is enjoying the surplus labour of productive workers only, the commercial capitalist is enjoying the surplus labour of productive workers on the one hand and the surplus labour of commercial workers on the other and thus earning more profit than the productive capitalist? No. The productive and commercial capitalists are able to share the surplus value of the productive workers that comes in the form of 'money' only. The general law is that it (surplus value) is distributed according to the 'average rate' only. We have seen already that, since the surplus labour of the commercial workers is consumed without converting into money, the commercial capitalist cannot earn profit from it (surplus labour).

The surplus labour of the commercial workers is consumed not only for the sake of commercial capitalist but the productive capitalist as well.

In order that the productive capital and the commercial capital have to get some profit each from a commodity, both productive workers as well as commercial workers too should do labours. If there are no

productive workers, 'production process' itself will not be there. The commodity itself will not be there. If commercial workers are not there, circulation process will not be there. Conversion of commodity into money will not be there.

While the productive workers work for the productive capitalist alone, commercial workers work for the commercial capitalist alone. Yet, it does not mean that the capitalist of a given sphere is concerned with the labour of the workers of that sphere only. The workers of the 2 spheres together completed the production process as well as circulation process. Hence, the labour of the workers of the 2 spheres will be useful to the capitalists of the 2 spheres. Just as the commercial capitalists are enjoying the fruits of the productive labours, productive capitalists too are enjoying the fruits of the labour of commercial workers.

## 4) Turnover of merchant's capital and its speciality

The activity of 'productive capital' involves 'production process'. This process is, by consuming the commodities that exist as 'means of production'. But the activity of 'merchant's capital' does not involve 'production process'. This purchases a commodity and sells it again without changing it. Which means, the merchant's capital sells the commodity that the productive capital produced.

Like the activity of the productive capital, the activities of the merchant's capital too begin with 'money' and end with 'money'. The last money will be more than the first money.

Return of capital (including profit) : Turnover of capital.
Return of productive capital : Turnover of productive capital.
Return of merchant's capital : Turnover of merchant's capital.

Return of productive capital does not mean return of productive capital immediately after the capitalist sells the commodity to the trader and takes money from him. It is because, when a trader takes a commodity, it does not mean that it is immediately sold and converted into 'money' really. It only means that the commodity-owner has changed. 'Commodity lying with the trader' is akin to the 'commodity lying with the productive capitalist'. It amounts to the sale of a commodity only when it leaves the trader and reaches the consumer and when money comes back to the trader. Only then it amounts to real return to the productive capital.

If the commodity reaches the consumer, it amounts to the fact that the commodity that the productive capital produced has gone into 'consumption'.

The production that the trader sells will serve as means of production necessary for another 'production process' and as means of subsistence for the workers. Further, the portion of 'surplus value' will go out of that production and reach whoever has to receive it. Until this is done, it does not amount to the completion of 'circulation process'.

If the productive capitalist himself undertakes the 'circulation process' without a trader, the productive capital and the merchant's capital of the commodity will come back when it is sold to the consumer. Same thing happens even when there is a trader when the commodity sale is completed, the 2 kinds of capital together comeback at the same time.

Return of productive capital means return of merchant's capital. It happens only when the 'circulation process' is over.

Productive capital's
Turnover period : Productive period + Circulation period.

Merchant's capital's
Turnover period : 0 + Circulation period.

That is, the turnover period of merchant's capital is part of the turnover period of productive capital. The turnover of the productive capital will be completed only if the turnover of merchant's capital is completed.

Turnover process of productive capital:

| Money | commodity | Production process | New commodity | Increased money |
|---|---|---|---|---|
| M | C | P | $\mathbf{C^1}$ | $\mathbf{M^1}$ |

What is the place of the trader in the 'process of productive turnover? At $\mathbf{C^1}$-$\mathbf{M^1}$. The trader undertakes this phase.

'Sale of the cloth' by the trader means conversion of $\mathbf{C^1}$ of the yarn into $\mathbf{M^1}$. (If we see this transaction from another side, **M** of the buyers of cloth converts into **C**).

In order that the merchant supplies 'yarn' to the cloth capitalist, he has to first buy yarn and sell it to the cloth-fellow. This means conversion of $\mathbf{C^1}$ of the yarn fellow into $\mathbf{M^1}$.

If we see the entire trade that goes on in society, the essence of the 'trade' is simply to convert the 'commodity' into 'money' (selling only). Converting someone's 'commodity' amounts to converting someone else's money into 'commodity'. Converting the commodity of the yarn-capitalist into money' means 'converting the money of the cloth capitalist into money'. Therefore, it is enough to say that 'the merchant's capital does the function of selling the commodity. It is not necessary to say specially that 'it does the function of buying'. Which means, it is enough to see the circulation period as the sale period.

In order to sell the commodity of any productive capitalist, the trader has to first himself buy that commodity. For that he has to first invest monery (capital). It means that the trader's activity begins with 'money'. But, when he buys the commodity with that money, he would get in return a commodity whose value is higher than the money. That is, trader's M changes into $\mathbf{C^1}$. (Not that M changes into C). Though the trader here gets a commodity whose value is 'more' than the money, which he invested, it is not the trader's money that produced that 'more' value. If we call the trader's money as 'trading capital' or 'merchant's capital', what has happened is that money capital has simply converted into already existing 'commodity capital' (into $\mathbf{C^1}$). Later, the trader sells that $\mathbf{C^1}$ and takes $\mathbf{M^1}$ of the equivalent value. In this phase also, trader's activity does not produce new value. This whole trading activity does not involve 'production process'. The merchant's capital simply changes first into $\mathbf{C^1}$ and later into $\mathbf{M^1}$.

The turnover of the merchant's capital will be as follows.

| Money | Commodity whose value is more than the first money | More money |
|---|---|---|
| **M** | **$C^1$** | **$M^1$** |

As the activity of the 'merchant's capital does not involve 'production process', the turnover of the merchant's capital acquires a special character, namely, the character of functioning as smaller turnovers. We have to see this in some detail.

Production period of the 'cloth' is 1 week. Productive capital is 100. Suppose the profit that the productive capitalist has to get is 10. Should the trader have to function every week with 110 capital to 'buy' that cloth? Which means, should the trader put 110 at a time in the hands of the commodity fellow and take the entire commodity enough for the whole week at a time? Not necessary. The trader can function with a capital less than that. This is how he can do it: we have seen that the production period of the cloth is 1 week. That is, after some cloth is produced in a week, it takes 7 days to get the new cloth again. There will be some time to sell the first cloth until the new cloth comes. Hence, the trader need not buy at a time the entire commodity that he has to sell. Even if he buys the entire commodity at a time, it would definitely take 7 days to sell and it would not be sold away within 1 or 2 days. Therefore, the trader, let us say, without buying the entire commodity at a time, buys only some commodity, first with 30 or 40 capital and sells it away within 2 days. (Since that capital comes back within 2 days, it means that only a 2-day general profit adds to it). After that capital returns along with 'profit' in 2 days (that is, capital has made '1 turnover'), the trader can again buy some more commodity with the same capital and can sell it as well in 2 days. When that capital too comes back (This means, capital has made another turnover), again with that capital alone...thus, the trader can sell away the total commodity by the completion of a week. 'New commodity' arrives again by then. Then, the same thing happens again.

Since 'productive capital' involves 'production process', it is not possible to function in the production process without investing the required amount of capital at a time. But, it is not the case with the Merchant's capital. Since the function of merchant's capital is to sell the purchased commodity again without changing it, there need not be many gaps between buying and selling. It is enough to have as much gap as there is between the place of purchase and place of sale for the sake of transport. As it is possible to buy and sell the commodity at a rapid pace, those activities (buying and selling) may be carried out many a time. As it is not necessary to buy the entire commodity at a time, the trader need not invest at a time the entire capital necessary for that commodity. (In order to economise the 'transportation' charges, it is enough to purchase as much commodity as is minimally necessary each time). As less capital is enough to buy fewer commodities, the merchant's capital can function in 'less quantity' by making turnovers very rapidly.

Only when the last of the turnover that merchant's capital makes is over and when the entire commodity of a given 'production process' is sold out, only then it amounts to the completion of the turnover of the 'productive capital'. Only then, it amounts to the real return of the productive capital.

If the trader in the cloth example does not take the whole commodity of one week at a time from the cloth-capitalist and if he does not pay 110 money at a time, how can the cloth fellow conduct reproduction in the 2nd week? We get an answer to this question if we take 3 weeks instead of 2 weeks.

Let us take 3 weeks successively. We are at the beginning of the 3rd week. The commodity capitalist has to begin new production process now. By then, the trader will have sold the entire commodity of the 1st week in smaller turnovers. The new reproduction of the 3rd week begins with that money. By the time the 3rd week is over, the trader sells the entire commodity of the 2nd week with smaller turnovers and gives away 110 money to the commodity fellow. With this money, the new production process of the 4th week begins. Thus, the total money always goes from the merchant to the commodity fellow. Owing to the system of selling the commodity with smaller turnovers, there will not be any obstacle to the process of reproduction.

Will the 'profit rate' change in any way due to shorter turnovers of the merchant's capital? It will not at all change.

Whether we say,

100 capital, by 1 turnover per week gets 10 profit, or

50 capital, by 2 turnovers per week gets 10 profit, or

25 capital, by 4 turnovers per week gets 10 profit.

All these have the same 'profit rate'.

With only 50 capital and 2 turnovers per week, a trader can earn the same profit, which he earns with 100 capital by 1 turnover in a week. The trader does not use more capital for an activity, which he can carry on with less capital. This means, a merchant's capital of 100 does not function in the buying and selling of a commodity made of '100 productive capital'. A capital less than that functions, by making more turnovers. Yet, it takes

profit rate equally with the productive capital. This is the specificity of the merchant's capital.

A trader, for e.g., the trader who sells the 'cloth', sells, not only the commodity of a single capitalist but also the commodities of many cloth capitalists. The trader keeps many types of clothes for sale in his shop. The shop expenses will be the costs of sales concerning all the different kinds of commodities. The turnover of the merchant's capital is interlinked with the turnovers of many productive capitals. Which means, a merchant's capital, for the sake of its general profit, shares the portions of surplus values, which many productive capitals produce.

If any capital makes one turnover in a year, it is an 'annual turnover'. If it makes one turnover in a month, it is a 'monthly turnover'. 12 monthly turnovers together make an annual turnover.

To sell any kind of commodity, there will be an 'average turnover period' depending upon the specificity of the commodity. Only if it can sell accordingly, merchant's capital can earn the 'general rate of profit'. If it takes more time than the average, cost of exchange increases and commercial profit decreases.

## 5) Relationship between the productive power and the mercantile price:

We have seen earlier as to how the commodity price changes if changes take place in the 'productive power' that produces the commodity.

If productive power decreases, the labour time that takes to produce one unit of commodity and thereby the commodity price increases. Similarly, if the 'productive power' rises, the labour time that takes to produce one commodity and thereby its price decreases. Even if we add the aspects of trade to this issue, the changes in the price will be in the same manner. Let us now see some examples as to how it happens.

Here, 'sugar' is the commodity. Suppose the trader each time buys 100 kilos and sells it in 1 week. The 'production price' at which the trader buys from the productive capitalist is, let us say, 1 rupee per kilo. (It means that this rupee contains capital and general profit). Merchant's capital is 20. General profit is 10 per week on 100 capital. (We are not taking into account storage and transportation).

Based on these details, the selling price at which the trader sells 100 kilos of sugar will be as follows.

| Purchase price | + | Its profit | + | Merchant's capital | + | Its profit | = | Mercantile price |
|---|---|---|---|---|---|---|---|---|
| B | + | P | + | K | + | P | = | $C^1$ |
| 100 | + | 10 | + | 20 | + | 2 | = | 132 |

If the price of 100 kilos is 132 rupees,
the price of 1 kilo is 1.32.

That is, the trader buys a kilo with 1 rupee, sells it at 1.32, takes back his capital and takes the profit on his capital as well.

Suppose the 'productive power' has now become double. Now, 2 kilos are produced during the same period of time as in the past. The price at which the trader buys now is, let us say, half rupee per kilo. However, now he has to sell 200 kilos during the same period of time (within 1 week) in which he sold 100 kilos in the past. Now, the trader purchases 200 kilos with 100 rupees. Let us say the general rate of profit even now is 10%. While cost of exchange for 100 kilos was 20 in the past, now those costs will be 40 for 200 kilos.

The price at which the trader finally sells the 200 kilos will be as follows.

| B | + | P | + | K | + | P | = | $C^1$. |
|---|---|---|---|---|---|---|---|---|
| 100 | + | 10 | + | 40 | + | 4 | = | 154. |

If the price of the 200 kilos is 154 rupees,
the price of the 1 kilo is

$$\frac{154}{200} = 0.77 \text{ paise.}$$

What has happened due to the rise in productive power? The price of the commodity has decreased. The price, which was 132 earlier, has now become 77 paise. Will the trader incur any loss due to this fall in the price? It will not happen like that because the trader buys a commodity at the price that it possesses at a given point of time. The selling price will always be higher than the purchase price. Even now it will be higher. Hence, the trader will not lose any thing due to the fall in the price.

When the productive power is low:

The purchase price of the trader per kilo is 1 rupee.

The sale price of the trader per kilo is 1.32 paise.

When the productive power rose:

The purchase price of the trader is 50 paise.

The sale price of the trader is 77 paise.

Whatever be the 'productive power', the sale price should be higher than the purchase price of the trader.

In this example, if the commercial turnover period is more than 1 week at the beginning itself, the K+P (cost of exchange) increases. Hence, commodity price increases. If it happens to the contrary, price decreases. In fact, trade activities do not add any value to the commodity. Yet, the commodity price depends on the commercial turnover period simply because of 'the general profit rate'! Since the 'merchant's capital' has to get profit based on its working period (more profit if it works longer period, less profit if it works for shorter period)., the 'commercial turnover' too plays a role in the price formation. Commercial turnover period makes the commodity price lower or higher. What operates here is the law of 'profit rate' but not addition of less value or more value to the commodity by trade activities.

Though the productive powers and productive periods are somewhat different, all the capitalists in the cloth-branch produce 700 metres of cloth per cloth per week with a total productive capital of 700. The traders in that branch have to sell that cloth in 7 days. However, all those traders need not function with 700 capital.

All the things will be like this even if we consider entire society instead of a single branch. Whether it is in a single branch or the whole society, 'merchant's capital' will be less than the productive capital. The number of commercial capitalists is more than the productive capitalists. The number of commercial workers is less than the number of productive workers.

Among the productive capitalists, some will have trading companies as well. Then they become not only productive capitals but also commercial capitalists.

Among the trading capitalists, some will have productive companies as well. Then they will become not only trading capitalists but also productive capitalists.

All the capitalists will have their own storage facilities. Many will have own means of transport.

In society as a whole, the trading capitalists sell the 'mass of commodities', which the productive capitalists produce. The real meaning of this is that the 'commercial workers' sell the 'mass of commodities', which the productive workers produce.

## 6) Commercial workers in the division of labour

The situation of 'doing the same kind of labour always' exists even in the case of commercial workers. Commercial workers always keep doing the 'sales' related activities either by staying in the shops or in wandering in the streets.

While the 'productive workers' are in contact with other workers during the 'work', the commercial workers are in contact with not only their workers, but also the 'buyers'.

Let us see the workers who stand in shops and sell the commodities. These people are always with the commodities. As soon as the buyer comes, these people display the commodities by spreading in front of the buyer, sell some commodities and re-arrange the remaining commodities in their original places. As soon as another person arrives, they again spread all the commodities. Later, they rearrange them in their original places. As soon as the third person arrives, again...! The same work every hour, every day, every week and every month! If they don't change their job, the same work throughout the life!

Any person who is always engaged in the same work will be habituated exclusively to the words and deeds concerning that work. This 'habit' will be too much in the case of commercial workers.

The job of the commercial workers is not simply showing the commodities to the buyers, giving them the commodities if they like them and receiving money. 'Making the people to buy the job' is of commercial workers. It is 'obligation of their job'.

As the same kind of commodities (e.g., cloth is found in different shops, there will be lot of competition in selling the commodities. If a person who came to buy in a given shop goes back without buying in that shop, then there is a danger of that person buying in another shop. Therefore, as soon as a person comes to the shop, the commercial workers have to apply all the deceptive tactics necessary to make that person compulsorily buy in that shop alone. They have to spread the commodities widely in front of the buyers and speak more lies than truths by eulogising the 'best quality' of the commodity in certain business terms. If necessary, they have to tell everything false. Convincing the buyers, making them feel delicate and pressurising them all such things are part of such deceptive tactics. These employees have to keep talking to the buyers as long as they are in the 'work place'.

In such 'productive labours' as ploughing, spinning, weaving and shoe making, these deceptive tactics and skills are not necessary. But, the occupation of trading that involves selling of the commodities is full of 'deceptive tactical mentality'.

The commercial workers have to not only give their 'labour' for the sake of profits of their capitalists but acquire deceptive tactics as well.

In the whole of society, while some employees lie down in the shops engaged in the work of selling commodities, some other employees have to go on tours for securing orders for the commodities. Their job is always to travel in buses and trains, leaving their houses and domestic environment. These people halt wherever necessary. They eat wherever they are. It is not possible for these people to form and observe 'disciplinary' habits relating to food and sleep. It is not possible to take the responsibility in child-care. They cannot lead peaceful family life.

In the case of sales of certain kinds of commodities, it is not enough if the sales employees simply show the 'commodities'. They have to exhibit their bodily decoration as well. The medical representatives have to dress up in a tip-top fashion and roam around the doctors. The sales-girls have either to stand in the shops or go around the houses exhibiting their physical beauty. To please the customers in the air-travel, women whose youth is intact are required as airhostesses. This is how it goes on in many more branches! Which means, in the sale of commodities, it is not enough if the employees give their 'labour' as usual. They have to

perform their labour with such expressions and gestures which are mixed with business tricks and 'debauched' styles. The trading capitalists impose fearlessly impose the condition on their employees to exhibit these kinds of gestures and expressions! The commercial employees have to agree to so many unnatural forms of behaviour for the sake of their 'livelihood'.

If we look at the very poor hawkers who roam in the streets and sell the goods, it is very intolerable. They keep all their hopes on the sale of the commodities and roam around from dawn to dust, always shouting about their commodities. Not only men and women who are able to do labour, but also old people who crossed sixties and seventies, children who have not yet crossed seven or eight years of age and mothers with infants are engaged in these activities. As these people sell their commodities, roaming around in the streets and in order to make their shouts audible in the streets to a long distance, they mould their voices hoarsely and in a squeaky manner and turn into 'shouting machines'. This means that some people have to inevitably turn into such beings for the sake of commodity-sales!

Many human beings that can demonstrate many independent abilities provided they have 'disciplinary' routine and education are spending their entire life in selling trivial commodities in the streets! Generation after generation is passing along this path.

As the kinds of commodities keep increasing in the capitalist society, 'specialisation' in the sales activities too keeps increasing. Certain kinds of training, knowledge, different languages become compulsory in order to conduct trade activities.

In the 'public education system' that started in the 'capitalist society', studies relating to business activities become more important than natural sciences, history, philosophy and such other studies.

Just as in the case of productive workers, unemployment and competition among the workers are usual phenomena in the case of commercial workers.

## 7) 'Speculation' trade

'Speculation' means 'guess', 'estimation'. The guess and estimation are about the rise and fall of the commodity prices! Speculation trade

involves guess and estimation that a greater demand may arise for a particular commodity in future and hence its price may rise. Speculation is the trade whereby traders buy and keep stock of a commodity and sell it later, by guessing and estimating, with their 'market knowledge' of a particular commodity in future and hence its price will increase.

In a society where there is no 'proper' plan, it is natural that **s** and **d** of the commodities vary haphazardly and thereby their prices fluctuate. This situation gives scope for speculation trade.

In the usual business, the trader is not concerned with whether the commodity price rises or falls in the future. Whenever there is some price, the trader buys the commodities according to the existing price, sells them and takes his profit from that price alone. But, it is not the case with speculation trade. The trader buys a particular commodity only when he guesses that its price is going to rise in future. If his guess becomes true, he would earn an income that is higher than the 'general profit'. But, it does not so happen every time as the trader guessed. The trader cannot guess all kinds of forces that 'govern' the market. Therefore, the commodity price, may sometimes instead of rising as the trader expects, even fall. In such a situation, the trader who speculates may incur loss without getting back even his capital.

## 8) Foreign trade

'Native' trade means buying commodities at one place and selling at another place within the native country. 'Foreign' trade means, either buying commodities from the native country or selling them in foreign countries; or buying from the foreign countries and selling them in the native country (either 'exporting' or 'importing').

Whether it is native trade or foreign trade, the commission that the trader gets is part of the 'surplus value' of the commodity with which the trader conducts trade. (Here, 'trader' means 'trading/ commercial/ mercantile capitalist). The Independent trader does not conduct foreign trade). While the commission that the trader gets from the native commodities is part of the surplus value of the native workers, the commission that the trader gets from the foreign commodities is part of the surplus value of the foreign workers. Whether it is native trade or foreign trade, none of the facts concerning 'value' changes.

'Country' means a territory under a given 'state'.

Each country will have its own monetary affairs differently. The names of the 'money' units as well as the values of the units will be different. (These things, we have seen in detail under the section 'Monies of the different countries' in volume 2). Though the money of all the countries is in the form of 'paper', the purchasing power of the 'paper monies' of different countries will be different.

In the native trade, there will not be a problem as to what money a trader has to pay in return for the 'commodity'. All the payments take place in the form of native paper money only. But in 'foreign' trade, the paper money of one country is not relevant in the circulation of another country. Hence the condition that 'every country has to pay in its own money becomes necessary.

In chapter on 'circulation of commodities' of part 1 of volume 1, while discussing about 'world money', we have seen that a country has to pay only gold and not paper money, if it has to pay money for the commodities bought from the 'foreign country'. However, these gold payments do not take place every day and in the case of every exchange. A country has to pay gold only when there arises a 'balance' of payments and when that country cannot pay by way of other commodities.

When we say 'trade between 2 countries', one country does not always remain as a selling country and the second country as a buying country. The two countries sell to each other and buy from each other.

Let us take 2 countries:

One is a rupee country.

Another is a dollar country.

The commodity prices of the rupee country will be in rupees and the commodity prices of the dollar country will be in dollars.

Rupee-dollar exchange rate:

Suppose 10 rupees=1 dollar.

Let us say the governments of 2 countries bought commodities from one another simultaneously. Suppose the rupee country owes 8 dollars to the dollar country while dollar country owes 80 rupees to the rupee country.

About rupee country:

It has to get 80 rupees for the exports.

It has to send 8 dollars for the imports.

80 rupees = 8 dollars.

The two balance each other.

Its meaning is simply this:

This country has given its commodities and took the commodities of the other country.

About the dollar country:

It has to get 8 dollars for the exports.

It has to send 80 rupees for the imports.

8 dollars =80 rupees.

The two balance each other.

Its meaning is simply this:

This country has given its commodities and took the commodities of the other country.

Of these 2 countries, from whatever side we see, each country received imports of as much value as of exports that it sent. Or, in other words, it also sent exports of as much value as of imports that it received.

Since it sent exports of 80 rupees, with that value, the rupee country has acquired the capacity to pay for the imports of 8 dollars. That is, when the rupee country sent exports of 80 rupees, with that value, it can buy commodities of 8 dollars. Hence, it means that it received the 'foreign money of 8 dollars'.

'Money' means 'exchange value'. 'Foreign money' means 'foreign exchange value'. In short, the same is 'foreign exchange'.

If we look at the dollar country, it acquired the capacity to pay for the imports of 80 rupees since it sent exports of 8 dollars. It means that the dollar country has '80 rupees of foreign exchange'.

Of these 2 countries, whichever country we may see, the foreign exchange that it earns through 'exports' will be enough to pay for the 'imports'. Which means, the transactions between the 2 countries will

cancel each other by way of 'money of account' (without any need for any one to pay real money to others).

In case, those accounts do not cancel each other, one of the 2 countries will have some balance to pay to the other country.

Suppose the rupee country sent exports of 80 rupees and in return received imports of 9 dollars instead of 8 dollars. Then, of the 9 dollars, which the rupee country has to pay to the dollar country, only 8 dollars will serve as money of account. It has to still pay 1 dollar. It means that, while the rupee country has to receive 9 dollars of foreign exchange, it could earn only 8 dollars through its exports. That is, there is a deficit of 1 dollar in its foreign exchange requirements. Another name for this deficit is 'trade balance'; or 'balance of payment'.

Now, if we see the dollar country, the foreign exchange that it got through exports is 90 rupees. It has to pay 80 rupees toward imports. It still has a 'surplus' foreign exchange of 10 rupees. With this 'surplus', it can import commodities of 10 more rupees from the rupee country.

If the value of exports and value of imports between the 2 countries cancel each other, no country will have either 'deficit' or 'surplus' foreign exchange'. Only when they don't cancel, one country will face deficit and another country will have 'surplus'.

Will it be enough if the rupee country pays 10 paper rupees to the dollar country when it had a deficit of 1 dollar (that is, when it had to pay 1 more dollar)? It will not do. Any country has to pay only in the form of its 'products', the value that it owes to the foreign countries. Which means, the rupee country has to further export to the dollar country any commodities that have a value of 10 rupees. If it does so, it amounts to the fact that the rupee country has paid off all the 9 dollars. Then the exports and imports between the 2 countries cancel each other. Then, there will not be deficit in foreign exchange for one country and surplus for another country. (Then, new exports and new imports begin again. It is a different account).

However, let us say, the dollar country does not like to receive any of the other products in lieu of that last dollar. Suppose, it says, 'I don't want other commodities. I want only money'.

What does 'money between countries' mean? No. Gold! Gold is 'world money'! (General equivalent)

If dollar country asks for dollar thus, 'I don't want any other commodities. I want only money', it only means that it is asking for 'gold'! Suppose rupee country sent only gold. What has happened here? 'Gold' is also a 'product'! Therefore, sending 'gold' means, exporting some product. Thus, a country that owes 'trade balance', will be able to cut its foreign exchange deficit only when it exports either other products or gold or some product or the other in lieu of what it owes. But, it cannot send its 'paper money'.

If the rupee country does not send any product in lieu of what it owes, it will be indebted for that amount. If 'indebtedness' begins, 'interest' calculations too begin from that moment. In order to clear the debt even after some time, it has to give 'products' enough to the credit and its interest.

Any country should get only products in return for the products that it exported. Until it is done, 'trade balance' will not be redressed. Which means, the problems of payments in the 'foreign trade' will be solved only by way of equalisation of exports and imports. There will not be any other way except this.

From a commonsensical view that is not aware of any of these facts, it appears as if 'big capitalist countries' always export to other countries but do not import. They don't have the need to import'. But it is wrong. However big a country may be, unless it imports the commodities of the foreign countries to which it exported, it will not have any thing to take back its 'value'.

Trade between 2 countries means:

1) Between the governments of 2 countries,

2) Between the private capitalists of the 2 countries,

3) Between the government of one state and the private capitalists of another country.

Thus trade takes place daily in many ways. All the exports that the government of a country and its private capitalists send together constitute the exports of that country. Likewise, all the imports that they receive together constitute the imports of that country. The 'foreign

exchange' (foreign money) that comes from the exports will be spent on the imports. Or, in other words, the foreign exchange to be paid for 'imports' will be received through exports. That is, a country has to pay to another country with the same money, which it gets from that country.

Trade with the dollar country involves exporting to that country, earning dollars equal to that exported value and payment for exports of that country in dollars only.

Trade with the rupee country involves, earning rupees equal to the value of the exports to that country and payment the imports of that country in rupees only.

It is the same case with trade with any country.

In these trade transactions, trader of the 2 countries receives commercial commissions.

When we speak of 'foreign trade' many things come into the picture: exports and imports, exchange rates of money units of each pair of countries; foreign exchange banks in all the countries, their commissions and so on.

Settling accounts of exports and imports in the trade between 2 countries takes place periodically (e.g., half yearly) through the governments.

We have already seen earlier in detail (in the chapter 'Capitalist Price', of part 2 of volume 2) as how individual sales and their payments take place between two countries.

As long as exports and imports between countries cancel each other, all the payments are settled through accounts only. If any 'balance' remains without such settlement and if the countries have to make immediate payment of balance, then the question of gold arises. Or, if the countries can pay the balance with new exports, then the question of gold does not arise. Again, new exports, new imports and new calculations begin.

It is possible to solve easily the problem of equalisation of 'exports and imports' between countries if we see the accounts of more than 2 countries together. This is how it is possible:

Let us take 3 countries A, B and C. (We can see the accounts of 3

countries just as we see the accounts of three individuals). To make our example simple, let us not take the names of different money units.

Suppose country **A** sent exports of 2 value each to the countries **B** and **C** and received imports of 4 value from **B**. This means, **A** has to pay 2 to **B**. It has to receive 2 from C.

**B** has sent exports of 4 value to **A** and received 2 imports from **A** and 2 from **C**. This means, **B** has to give 2 to C. It has to receive 2 from **A**.

C has received 2 imports from **A** and sent 2 exports to **B**. This means, C has to give 2 to **A**. It has to receive 2 from **B**.

Of these examples, each country has equal number of exports and imports. But, take any 2 countries (either AB or BC or CA, whatever way we may take), the exports and imports are not equal. Hence, if countries see the accounts, the amount that they have to receive and the amount that they have to send will not be equal. If 3 countries see their accounts under these circumstances, the transactions of the 3 countries will balance each other as account money. No country will have a balance of payment.

If many more countries see their accounts, instead of 3 countries, there is a scope to solve the problems of payments more easily. But the main reason for solving the problems of payments is not simply 'seeing accounts together'.

First, the total of exports and the total of imports should be equal for each country, though those exports and imports are not transacted with the same country. Since the total number of imports (exports) are equal to the total number of exports (or imports) in the case of each country, they cancel each other when accounts are seen together. If the total number of exports and total number of imports are not equal to any country, it is no use even if such countries see their accounts together. As there remains some balance or the other in the case of a country, whose imports are more than its exports, **the solution to solve the problem of 'foreign exchange' is equalisation of exports and imports.**

Money accounts between countries are connected with many more issues other than commodity exports and imports. For example, a person from a dollar country comes to the rupee country on a tour. He has to

convert some dollars into rupees either through the bank in his country or through the bank of the rupee country and has to spend those rupees during his tour. That foreigner pays that money for several commodities while he tours the rupee country. This amounts to sending some exports. If rupees go in to the hands of the person from dollar country, the dollars that he pays belong to the rupee country. That is, rupee country gets some foreign exchange due to the visit of the tourist from the dollar country to the rupee country. It is possible to pay that (foreign exchange) while paying for foreign commodities. Thus, there will be many aspects that can fetch foreign exchange and that can spend foreign exchange. But, to make our example simple, we are examining all the aspects together under the name 'exports and imports'. Their values should balance each other.

Suppose there is a country called **A** that can produce many kinds of commodities. It exports its commodities to many foreign countries. Let us say that it imposes a condition that the importing country should pay only gold in return to its commodities. **A** can export its commodities only if the other countries accept that condition. If other countries are not in a condition to give gold, there will not be any scope for **A** to sell its commodities. Instead, if any country wants to take gold alone in lieu of its imports, or if it always wants to accumulate foreign money in its account by sending more exports and receiving less imports, then such a country and the other countries which conduct trade with it will be entangled in problems. Trade itself becomes impossible among such countries.

The sort of solution that the capitalist economists generally suggest for the problem of foreign exchange is this: 'Always send more exports and receive less imports'.

Suppose **A** would like to send more 'exports' to **B** and receive less 'imports' from **B**.

Will not **B** too think like **A**? Will it not have its own economists? What will happen if **B** too would like to send more exports and receive few imports?

Further, let us say, **A** has sent more exports to **B**. It has to receive foreign money somewhat more. It will have to take some more commodities from **B** in lieu of that money, isn't it? It has to take commodities from another country, if not **B**, isn't it? That is, even in this manner, it has to receive 'imports' that are equal to its exports, isn't it?

Then, what is the use of the principle that suggests more exports and few imports?

What these economists suggest is that a country has to send more exports than its imports and earn gold in return to its balance! This is a wrong solution!

The proper solution for the problem of foreign exchange is that countries have to conduct their 'foreign trade' on the condition that each country is obliged to receive imports that are equal to their exports.

'Foreign trade' is not simply a problem of money calculation'. More important than that is that both sides have to buy only necessary commodities.

Suppose that the sugar that **A** produces is enough for that country alone. But, it needs some medicines from **B**. **B** asked for 'sugar'. **A** needs medicines. **B** needs sugar. Both are real needs. Hence, **A** has to give sugar to **B** even by reducing its own sugar consumption to some extent. But, instead of such need as this, if **A** imports 'intoxicating drugs' and luxurious articles from **B** and in return exports sugar to **B**, it is a trade that **A** should not have conducted. In the country **A**, people who use luxury goods and intoxicating drugs can use sugar in adequate quantity. But, if the sugar decreases in **A**, it will not be available to the working class population. Sugar consumption among those masses will diminish drastically.

Similarly, whatever essential products we may export from a country, it is only working class population that faces the deficit.

Hence, foreign trade is not simply a transaction of money calculations. It involves an important problem, namely, 'what sort of products are being exported and what sort of products are being imported'.

The entire trade among capitalist countries goes on with a capitalist outlook.

Every country spends its foreign exchange on a large scale on such products and aspects that will not be of any use to the working population.

Let us say, a given country depends exclusively on foreign imports for certain important products which it uses as necessaries of daily life (e.g., medicines). Under such circumstances, that country has to obey the

conditions and control of the foreign countries. Therefore, it has to first try to produce itself important commodities that satisfy necessaries of daily life. It has to import only such commodities that are not possible to be produced by itself due to natural conditions and which are necessary daily. But, in a system where production and sale take place exclusively for 'profit' there is no scope for such things as Independent from foreign countries and self-reliance.

## 9) Smuggling

Smuggling is such a trade that is carried out in secret methods, while exporting and importing in order to evade taxes payable to the government. This may happen between different countries, or between different states within the same country. The taxes saved by not paying to the government in such trade serves as additional profits for the commercial capitalist.

**'Trade', whether it is 'native' or 'foreign', whether it is legal or illegal, if we combine the total trades of all the countries, all the 'commercial profits of the world constitute a part of the surplus value of the productive workers of the world. The entire 'world trade' is carried out by the labour of the world commercial workers.**

## Questions :

1. What is that act if some one takes 'money' by giving a 'commodity'?
2. Does 'trade' mean buying for selling? Or, selling for 'buying'?
3. For what sort of activities do the 'pure circulation costs' are spent?
4. Give some kinds of 'commercial labour'. What are the instruments of labour necessary to carry on such labour?
5. 2 activities take place through 'productive capital'. What are they?
6. No commodity is produced by 'transportation'. Yet, cost of transportation adds to the value of the commodity that is transported. No commodity is produced due to 'trade'. Yet, the cost of trade (circulation) does not add to the value of the commodity that is traded with. Why?
7. After the trader buys the commodity and before he sells it, certain other costs too add to the 'commodity value'. What are they?

8. Is the commercial capitalist, who trades in sugar, is exploiting the workers who produce the sugar? Is he exploiting the workers who do commercial labour for him?
9. A woman has gone to the market in a rickshaw. The cost of rickshaw is 2 rupees. She bought a chair in the market. The price of the chair is 50 rupees. She brought the chair on a cart. The cost of the cart is 3 rupees. Do the cost of rickshaw and cart add to the value of the chair?
10. Workers 'go' to a shop to buy rice. Will the labour of that 'going' add to the 'value of the rice'?
11. What is meant by 'profit rate'? What is meant by 'rate of surplus value'?
12. The trader gets the commodity for 120. Commission is 24. What is the price of the commodity?
13. The general rate of profit is 50%. Productive powers have not changed in any branch. But, the quantity of 'functioning productive capital' has increased. Will the general rate of profit change?
14. Productive capital is 300. Trading capital is 100. General rate of profit is 50%. What is the commodity value? Out of it, how much is the 'surplus value'? How much is the actual profit rate?
15. Commodity value will be of the same quantity whether it is a capitalist calculation or correct calculation. What is the difference between the capitalist calculation and the correct calculation?
16. The price of a commodity is 10 rupees per kilo. The general rate of profit is 20%. A trader committed fraud in weighing the commodity and gave three fourths instead of 1 kilo to a woman and took 10 rupees from her. What is the general profit that the trader received? How much is his secondary profit?
17. If 100 capital makes 1 turnover per week, it gets 10 profit. How much profit will there be if 50 capital makes 1 turnover per week? If 25 capital makes 2 turnovers per week?
18. Ramayya bought rice and vegetables in the market. He put the rice bag over the head of a boy and he carried the vegetable bag and

arrived at home. What labour did the boy do? What labour did Ramayya do?

19. The price of a commodity in the market is 2 rupees. A hawker, who wanders in the streets, gets it to our door and gives it for 2 rupees only. If he quotes more than that price, we would say, 'It is 2 rupees only in the market, isn't it? Are we paying for the 'transportation labour' that brought the commodity upto the doorstep? Should we have to go to the market or not if the commodity does not come up to our doorstep?

20. The cost of circulation (trade) is something not useful to any one. But, this cost is unavoidable in this society. Why?

21. A commodity is ready in the production place. Its productive capital is 200. General rate of profit is 15%. Will these details be enough to know the 'value' of that commodity? Do we need some more details? What details are necessary?

22. The general rate of profit per year is 60%. Trading capital is 100. It makes 12 turnovers in a year. The price of the commodity after 1 turnover is

$$100 + \frac{60}{12} = 105.$$

That is, he would sell the commodity, which he originally bought for 100, at 105 after 1 turnover. With the same capital he would earn 60% profit per year. Do a sum in this manner: Commercial capital is 200. Turnovers are 4. Profit rate per year is 80%. What is the price?

23. Capital is 300. Turnovers in a year are 5. What is the total amount of capital that functioned in a year?

24. A landlord sells the grain in his barn to a merchant with some commission. Whose surplus value is that 'commission'?

25. An Independent producer gives his commodity to a trader with some commission. Whose surplus value is that 'commission'?

26. A merchant has bought a commodity for 10 and sold it for 9. Why did it happen like that?

27. A trader of **A** country sold a commodity of 10 value to a trader of **B** country. Again, he bought another commodity of 10 value from the trader of **B** country. What is the profit that these traders received in these transactions?
28. If the 'cost of circulation', compared to the past, decreases in the society as a whole, the general rate of profit increases compared to the past. Why?
29. A Company of **A** country produced some commodity with his **c+v**. The produced commodity consists of **c+v+s**. That company sold (exported) the commodity to the company of **B** country. In return, it bought (imported) some commodity from the company of **B** country. That imported commodity too consists of **c+v+s**. Well, then, who received the value of **s** contained in the commodity of **B** country? Who received production of **s**?
30. What does it mean when we say, 'more foreign trade occurred in the world this year than last year'?
31. Which of the following is correct, which is not correct?
    1) Industrial price and mercantile price are equal.
    2) If a country pays some 'gold' to another country when it has to pay some money, it also amounts to the payment of some 'production'.
    3) The act of converting commodity into money is the exchange of 'equal values'. It is merely a change in the form 'value'. New value is not produced in this exchange.
    4) 'Merchant capital' does not produce either 'value' or 'surplus value'.
    5) 'Merchant capital' too secures 'profit' just as the productive capital does.
    6) Certain portions in the 'merchant capital' are part of 'social productive capital'.
32. Are you a productive worker? Or a commercial worker? Neither of thetwo? Then, what are you?
33. Are the capitalists, whom you know, productive capitalists or commercial capitalists? Do you know capitalists who are both?

●

Chapter 2

# Interest-bearing capital or money capital

In the chapter on 'profit' in part 2 of volume 1, we have seen that 'interest' is part of the 'surplus value'. We will now see some more things concerning this aspect.

Existence of 'interest' presupposes 'credit'. 'Interest' exists only if there is 'credit' isn't it?

We can imagine 'credit' even from the time of barter. If we take an 'article' and do not give another article in return, it means that we have borrowed the first article on 'credit' basis. The credit will be cleared only when the second article is given.

After the beginning of 'money' in society, if a person buys an article and does not give 'money' immediately, it amounts to borrowing the article on 'credit' basis. The credit will be cleared when 'money' is given away.

When we say 'credit'

there will be 'commodity credit', and

there will be 'money credit' as well.

Before seeing other things related to 'credit', what we have to understand at the outset is that 'there will always be a need for credit in a society where there are relations of 'private property'. It is because certain part of the 'total social means of production' is under the possession of 'money capitalists' as well. Hence, that portion is also necessary for the 'social process of production'.

Let us consider capitalist society. 'Capital' means 'means of production' (we are seeing **c+v** as 'means of production').

If we say that a 'productive capitalist' wants 'means of production of 100 capital', it means he needs 'means of production of 100 value'. Suppose that fellow has 60 capital and he has to borrow a credit of another 40 capital. It means that the fellow has only few 'means of production' and the rest are with the money capitalist. 'Production process' is not

possible unless means of production of a total '100 value' gathers at one place. Hence, 'credit' is inevitable.

The same thing applies to entire society.

All the means of production (entire capital) in the society remains as the property of productive capitalists. Some part of it will be the property of money capitalists and some part of it will be the property of commercial capitalists. Only if all those means of production come together, production process and reproduction process take place.

Lending of capital as credit by money capitalists implies that they are giving an opportunity to others to use their means of production instead of conducting 'production process' themselves. In return, they take some part of 'surplus production' under the name 'interest'.

When a 'production process' is over and 'surplus production' is received, the capital of all the sections in the capitalist class grows. With those increased means of production, reproduction process takes place on an extended scale. (We have seen earlier that the production process in a given year takes place on a more extended scale than the production process of the previous year).

However huge profits the productive and commercial capitalists may earn, it is inevitable for them to use the capital of money capitalists. In a society, where the means of production are accumulated as private property in the hands of different sections, it becomes inevitable for the section that conducts production process to receive 'credit' from another section.

One of the productive capitalists might possess enough of his own capital and hence he might not need it fully. Thus, the individual examples might be varied. But, when we see the entire 'society', using the capital available with the money capitalist (borrowing 'credit') for the sake of 'social production process' becomes inevitable.

'Credit' has been there since past times. 'Interest' came into existence only after 'credit'.

Though credit and interest have been there since the past times, development of credit system in such a way that all the commodity sales take place on 'credit' began only in the capitalist society.

## 1) 'Money' credit

The productive capitalist who does not have money (or adequate money) borrows on credit from the capitalist who has money. He keeps paying 'interest' until he repays that credit. (If that money is his own, he keeps interest for himself).

We have already seen earlier as to what is 'interest' and how the capitalist pays it.

For the purpose of 'commodity' production, no other factor is necessary except 2 factors, namely, means of production and labour. The factor 'interest' does not come under any of these 2 factors. It does not come under the portion of 'means of production' or 'labour'. Hence, the cost incurred on interest is not a cost naturally required for the commodity. It is a cost that is unconnected with the production process and that is incurred outside the production process. Any cost that is not naturally required does not add to the 'value' of the commodity; it does not increase the value. Hence, **interest is an 'unproductive' cost.**

But, when the productive capitalist borrows 'money' on 'credit' he has to pay interest from the 'commodity' only. There will not be any other way.

That is, the cost that does not enter into the commodity value has to come out of the commodity value! We have seen as to 'how this 'wonder' is possible' on so many occasions that we are bored with the issue.

When 'money' is in the hands of the money capitalist, that money is 'money capital'. **M**.

As soon as the money goes into the hands of the productive capitalist, the 'size of that money' does not grow. Even there, it remains as **M** initially.

There **M** changes as **C** (as means of production and the means of necessaries of life of the workers). The value of **C** will not be higher than the value of **M**. This **C** is productive capital.

Then, 'production process' takes place. This is **P**.

New commodity emerges. It is $\mathbf{C^1}$. This will have higher value than **C**. $\mathbf{C^1}$ acquires this higher value or additional value in the production process only.

The trader gets $\mathbf{M^1}$ when he sells $\mathbf{C^1}$. This is more money than the initial money. This is of higher value than the value originally spent.

What remains after deducting **M** from $\mathbf{M^1}$ is the 'general profit' (the surplus value of the productive workers).

The interest, which the productive capitalist, borrowed **M** on credit, pays (or retains with himself) is part of this 'general profit' only. Even if he pays interest before he sold the commodity, he takes it back only from the 'general profit', which he gets after selling the commodity

Which means, 'interest' is part of the 'surplus value' of the productive labourers, who produced the commodity.

The interest that the commercial capitalist, who sells the commodity, pays (or retains for himself) is also part of the 'general profit', which that capital gets. That general profit is part of the 'commercial commission'. That commercial commission is part of the surplus value of the workers.

Thus, the entire interest that the productive and commercial capitalists pay (or retain) in connection with a commodity is part of the 'surplus value' of that commodity.

After the production of the commodity, 'production processes' such as 'storage' and 'transportation' take place. Those 'capitals' too pay interest as well. Interest that the 'storage capital' pays is the part of the general profit related to that capital. That is, it is part of the surplus value of the 'storage workers'. Similarly, the interest that the 'transportation capital' pays is part of the surplus value of transport workers.

Whatever happens in the case of an individual commodity, the same thing happens in the case of the total 'mass of commodities'. If we combine all the 'interest' of productive and trade spheres (whether they pay outside or retain with themselves), that 'mass of interest' is part of the 'surplus value' of the productive workers of that country.

The mass of interest of the world is part of the surplus value of the world workers.

**'Interest' means 'money received without doing labour'.**

**'Money' means 'production'. As the person who earned interest can buy some production with his 'interest money', 'interest' means 'production' secured without doing labour.**

All the products are made of 'labour'.

But, the money capitalist or loaning capitalist is able to extract some portion of the 'social mass of products', without himself doing any labour. He adds some portion of the interest, which he gets every year, to his capital; increases his interest-bearing capital and earns much more interest.

To the question 'what does interest mean', the economists, who support interest say that 'interest is the price of the money, which is given as credit'.

> "Interest, signifying the price of capital, is from the outset quite an irrational expression." (Marx, Capital, vol.3, p.354)

We know that the general profit that comes after selling the 'commodity' gets distributed as various items. Now, let us leave out all other items and take only 'interest' and the profit of the enterprise of the capital (only these 2 items) and see how their relations would be.

Suppose there is a total of '50 general profit' in a commodity. Out of it, let us say, interest is 5, profit of the enterprise is 15 and all the remaining items are 30. Now, leaving out the 30 of the remaining items, let us treat the total of interest and profit of the enterprise only (20 only) as 'general profit'. Hence, whenever we speak of 'general profit', we have to assume that we are talking about the 2 aspects as a whole.

If there is '20 general profit' in a commodity:

If interest is 5, profit of the enterprise is 15.

If interest is 6, profit of the enterprise is 14.

If interest is 4, profit of the enterprise is 16.

If interest is 3, profit of the enterprise is 17.

Which means, what remains after deducting interest from the 'general profit' is 'profit of the enterprise'. But it is not the interest that remains after deducting profit of the enterprise.

If interest increases, the profit that remains decreases. If interest decreases, the profit that remains increases. This is the relationship between the interest and the profit of the enterprise.

Though the interest that capitalist pays is part of surplus value of workers working for the interest-bearing capital, it appears outwardly as

though it is some thing connected with the 'income' of the capitalist. It is because, if the capitalist pays more interest, what remains for him decreases; if he pays less, what remains for him increases. If he need not pay tax at all, the entire thing remains with him. Moreover, the capitalist will have the need for borrowing money for his business and workers do not have the need. Owing to all these reasons, it appears as if the entire transaction of this interest is the private affair of the capitalist, as if that fellow is paying taxes only from his 'income' and as if he is losing his own income. It appears so not only to the capitalists but to workers as well! Since either of the two does not have a 'correct understanding' of the income (profit) of the capitalist, they do not have a correct understanding of the 'interest' which is paid out of the income of the capitalist.

## (1) Will there be 'natural' reason for the 'rate of interest'?

What laws determine the respective portions of the general profit that get distributed as interest and profit of the enterprise?

The general profit from a commodity is 20. Out of it, interest is 5 and profit of the enterprise is 15. What are the reasons for such a division of these 3 aspects?

The reason for the existence of 'general profit' as 20 is that the 'surplus labour', which the workers gave for that commodity, is of so much quantity. Which means, what remained in this example, after deducting the 'wages' of the workers from the 'value of labour' that they gave is 20. That is, value of labour of the workers=wages+20. Whatever be the excess over and above the 'wages', the same is 'general profit'. Since it is 20, the general profit in this example is 20. This is the reason for general profit to be definitely of 20 quantity.

There is also a definite reason for the profit of the enterprise to be 15. The reason is that interest is 5. Hence, the profit of the enterprise is 15.

What remains to be settled is the question of 'interest'. Why is it as 5? Is there any 'natural' reason? No. There is no such reason. It may be 5 or 6 or 11 or 3. It may be any amount. There is no 'natural' reason for it to be so. It is as '5' in this example. That's all.

If there are aspects that form due to 'labour', then there will be 'reasons' for such an existence of their values depending upon the quantity of labour that is spent on those aspects. But neither 'interest' nor 'profit' are such aspects. They are not made of 'labour'. Nor do they give 'labour'. (They are neither means of production nor labourers). They are such items, which snatch 'labour' without giving 'labour'. While snatching 'labour' like that, there will not be 'correct reason' for deciding as to how much portion each aspect should get.

If these 2 aspects want to share some amount of labour, namely, general profit, which is extracted from the labour, such sharing has to take place in some way or the other (arbitrarily). The whole law here is to share it in some way or the other. Here, there is no more 'rational' law than this.

If interest is 5 in the '20 general profit', it constitutes one-fourth part of the general profit. If it is like this, this simply means a convention that has been coming since the past. There is no 'reason' for this convention.

Suppose there has been an 'interest' rate in existence since some period of time. Then, the interest rate varies little this side or that side if the then existing **s** and **d** of the 'interest-bearing capital' vary.

The entire money in the society that is ready to go as a credit is the 'supply of interest-bearing capital.

The totality of the needs of the borrowers of the loan is the demand for the 'interest bearing capital'.

If the 'supply' is greater than 'demand', the then existing rate of interest decreases. If the demand is greater than the supply, the rate of interest increases. If the **s** and **d** remain equal, the old rate of interest remains unchanged.

If we assume the interest rate of the 'interest-bearing capital' when **s** and **d** are equal, as 'average interest rate', even this 'average rate' too will not have any 'rational' basis.

In the case of commodity 'price', if the **s** and **d** of the commodity are equal, market price will be equal to 'production price'. Similarly, in the case of workers' wages, if **s** and **d** of workers are equal, their 'wage'

will be equal to the 'value of labour power'. But, in the case of 'rate of interest', if the **s** and **d** of interest bearing capital are equal, then to what will the interest rate be equal? What is there to say that it is 'equal to a particular thing'? There is nothing. Since interest itself is unnatural (that is, since it is unrelated to 'labour' and unconnected with the production process), 'interest rate' will not have any natural reason. Hence, 'average interest rate' too is not a natural rate. It is simply a rate that forms arbitrarily.

It is correct to understand that, while a rate of interest is prevailing, it changes depending on the change in the **s** and **d** of the interest-bearing capital. But it is not enough. It is a very elementary thing. We have to also understand such things as 'why **s** and **d** of interest-bearing capital change? On what basis do they change? The **s** and **d** of Interest-bearing capital depend on the situation whether the commodity sales are smoothly going on every time within the right time. Interest rate depends on the **s** and **d** of capital only. That is, interest rate is depending on the conditions of commodity sales!

However high the interest rate may rise in capitalism it will not rise to such an extent so that it can take away the entire general profit. If the capitalist, who borrowed credit, has to pay the entire general profit toward interest alone, there will not be any thing that remains for the capitalist. The productive capitalist would not at all undertake production if there is such a high interest rate that there will not remain profit at all; he will not borrow credit. Therefore, the interest rate would only be some part of 'general rate of profit' even on those occasions when it is very high. It would be some part of 'general rate of profit' only.

## (2) Types of 'interest rate':

Simple interest and compound interest are important methods of calculating interest.

Simple interest means, taking the entire period of credit successively and calculating the interest.

'Compound interest' means interest gets added to the 'principal' periodically. The principal amount keeps growing by the addition of interest either monthly or quarterly.

If we assume interest rate as 10%, the 'amount of interest' will be very much if it is compound interest rather than simple interest.

When we speak of 'interest rate' there will not be the same interest rate on all occasions. Interest rates will be different according to the quantity of credit and duration of credit. Interest rates may also be somewhat different depending upon individuals and institutions.

Let there be any differences in interest rates, all the things that apply to one interest will apply to all kinds of interest rates. Hence, when we say 'interest rate', the distinctions within it are not relevant.

We have observed earlier that profit rates in different branches vary to some extent little away from this side or that side. Even when we add the question of 'interest rate' to this observation, the essence of the matter will not change. How will the profits of the enterprise be after deducting interest when 'profit rates are different and interest rates are the same? They will be different. Thus the fact that 'profit rates' of different branches and the profit rates of different capitalists of the same branch will be different' will not change at all due to interest rate.

If there occurs a change in the 'interest rate' (whether decreased or increased), that change will apply to all the capitalists alike.

It is not only productive capital and commercial capital who borrow 'loans'. Independent producers and Independent traders also take loans. All these people take loans not only for their 'business' needs but the personal (family) needs as well.

Workers too take loans for the sake of family needs.

Depending upon the kind of need for which they use the borrowed loan, the interest paid toward that loan will be either part of 'surplus value' or the 'wage'.

## (3) What does 'interest' mean?

| | **Who borrowed the loan?** | **For what purpose?** | **From where did the 'interest' come?** | **What is interest?** |
|---|---|---|---|---|
| 1) | Productive capitalist | Productive need. | From the general profit. | Surplus value of the productive workers. |
| | | Family need. | From the productive profit. | Surplus value of the productive workers. |
| 2) | Commercial capitalist | Commercial need. | From the general profit. | Surplus value of the productive workers. |
| | | Family need. | From commercial profit. | Surplus value of the productive workers. |
| 3) | Independent producer | Productive need. | From 'general profit'. | Own surplus value. |
| | | Family need. | From productive profit. | Either from one's own surplus value or value of labour power. |
| 4) | Independent trader | Commercial need. | From general profit. | Own surplus value. |
| | | Family need. | From 'commercial profit'. | Either own surplus value or value of labour power. |

→

| | | | | |
|---|---|---|---|---|
| 5) | Worker | Family need. | From the wage. | Part of 'value of labour power'. |

In this table, payment of 'interest' by productive and commercial capitalists implies paying some portion from what they 'exploited'. Hence, they have nothing to lose due to interest. But payment of interest by Independent producers, Independent traders and workers who do labour implies losing some portion out of their 'hard earned money'. (That is, they are handing over the products, which they ought to use for themselves, toward interest!)

We have to understand one thing correctly in the examples of Independent producers and Independent traders. Their productive powers and business will not be on the same scale as those of capitalists. Hence, however much labour they do, that labour gives less production only. Their 'income' will be very little due to the 'competition' with the capitalist commodities. The portion that is over and above the 'value of labour power' in the income (the portion which may be called 'own surplus value') will be very little or non-existent. That is why, the Independent producers and Independent traders, who do business by borrowing 'loans' and by paying their entire income for interest only, lead the most miserable lives.

Suppose that a worker lent to another worker and earned interest. The interest is not the fruit of the labour of the worker who lent. It is the fruit of the labour of the labourer who borrowed (part of the 'wage'). If the first worker lends to a capitalist and earns interest, that interest is part of the surplus value of the workers who worked under that capitalist. It means that the worker, who is earning 'interest', is appropriating the labour of other workers.

But, the worker who lent money also loses a large part of his labour daily. Can we, therefore, assume that the worker is thus able to take back in the form of interest some portion, which he loses? This is a short cut! Wrong path! This is not the way in which the workers should try to avoid losing their labour.

There will be one or two out of hundred workers, who lend money and earn interest. The amount of interest that these workers earn will be

very little. Therefore, while talking about 'interest-bearing capital' and 'mass of interest', we need not take into account the interest that some persons among workers get.

## (4) Circuit of 'interest-bearing capital':

If the interest on 100 capital per month is 1, the circuit of this interest-bearing capital' will be like this.

$M - M^1$

100 — 101 means, 100 money has increased to 101.

What has happened between M—$M^1$?

How did 100 money increase to 101?

This fact does not at all appear superficially.

If it is 'circuit' of productive capitals; process of production appears.

The process of circulation appears in the circuit of 'commercial capital'.

But, there will not be any process in the circuit of 'interest-bearing capital'. Money appears to have grown without any process.

Though the actual fact (the fact as to how capital grows) does not appear outwardly even in the circulation of productive and commercial capitals, the circuit of interest-bearing capital will be much more 'mysterious'. The illusion that 'capital' grows on its own will be further strengthened if we see the interest-bearing capital.

**'Interest' has relation only with the 'time'! Just as time passes without any break, interest too grows without any break! It has no connection with such conditions as sun or rain? Day or night? Sleep or awakening? Inside the house or outside the house? It is beyond everything!**

For interest-bearing capital every day is a good day. Every moment is a good moment.

If it is cotton, grain, house and such other things, they will perish after some time and their value too perishes. But, interest-bearing capital has no such perishability. **Once you convert 'money' into 'interest-**

**bearing capital', it keeps on getting interest until the end of sun and moon.**

In Marx's works:

"In its capacity of interest-bearing capital, capital claims the ownership of all wealth which can ever be produced, and everything it has received so far is but an installment for its all-engrossing appetite. By its innate laws, all surplus-labour, which the human race can ever perform, belongs to it. Moloch." (Capital, vol.3, p.397, Moscow edition).

'Moloch' is a deity that has a craving for the sacrifice of the children. This is a term found in the religious stories. Viewing the entire capital as interest-bearing capital, Marx compared such a capital as the 'deity that has a craving for sacrifices. If capital remains forever in the society as it is now, the entire surplus labour that the working class performs will have to be offered to it. The sacrifice that the deity of capital wants is—'surplus labour' only.

The activity of the 'money capitalist' too is a 'business'. Money-lending business! All the business expenses connected with this have to be spent from the interest that the capitalist gets. All this is 'unproductive' cost. The workers who work in the money lending business are 'unproductive' workers.

In the spheres of production, trade and money lending—
productive and unproductive workers do different kinds of labour;
productive workers give surplus value,
unproductive workers give 'surplus labour', and
to the productive, commercial and money capitalists,
they hand over profit and interest.

## 2) Commodity credit

Suppose that the 'cloth' capitalist borrows 'money' and with it buys 'yarn'. Instead of borrowing money for 'yarn', he can borrow yarn itself, isn't? He can take it. If he borrows like that, it amounts to 'commodity credit'. Capitalists also do like that. They borrow some 'means of production'. They borrow some 'money' too.

Which means, in the whole society, commodity credit as well as money credit go on among the capitalists of different branches.

Borrowing money ..... money credit.

Borrowing commodity ..... commercial credit.

The fellow who lends 'money' ..... . money capitalist.

The fellow who lends 'commodity' ..... another productive capitalist or commercial capitalist.

If we pay money immediately after we buy the commodity, that price is—cash price. If we do not pay money immediately after we buy, that price is—'Credit price'. 'Credit price' will be somewhat higher than 'cash price'. It is because 'credit', whatever is its form, will get 'interest' as long as the principal amount is not paid. Cash price + interest = Credit price. That is why, it is higher than the 'cash price'.

But when we buy the commodity on credit basis, in the agreements where 'money' is paid as per average 'circulation period', there will be generally cash price but not credit price. Credit price exists only on such an occasion when it takes more than average period to pay the loan.

If the capitalists sell articles such as machines and houses on 'credit' basis, their prices will be credit prices only.

(If the capitalists give these articles on 'rent', the rent forms in such a way that the price of a given article for the period during which that article is given on rent plus general profit on that portion of the price together constitute 'rent'. In addition to this rent, **s** and **d** of that article also act on it. We have seen these points in volume 1 of our introduction, while discussing the leasing of 'fixed capital').

Suppose the price of a commodity is 100. Interest in it is 5. Or, if the owner sells that commodity at a credit price, the person who bought it paid, let us say, 3 interest while paying money. It means that when the owner sells that commodity on credit basis, he gets total interest of 5+3=8 through that commodity!

Since capitalists thus keep selling some portion of their commodities on credit system, can we assume that they earn some interest through these kinds of sales also? This will not happen on all occasions. Only on

such occasions when they sell to the workers on credit basis, Capitalists earn interest through those prices as well. When they sell to other capitalists, instead of workers, they cannot earn interest though it is a credit system. It is because; every capitalist acts not only as a seller but also as a buyer. Every fellow loses his interest that he gets through the commodities, which he sells.

Hence, when we talk of 'earning interest' (money-lending business), we have to mainly keep in mind the interest that capitalists get through 'money-credit' but not through 'commodity-credit' (credit prices).

Though 'commodity credit' goes on among the capitalists of all the branches, every capitalist has to keep some 'money' (cash) with him. 'Money' is essential in order to pay 'wages' to the workers, to pay taxes and such immediate requirements like transportation.

Suppose a sum of '100 capital' is necessary for a 'production process'. The fellow who has his own capital may not take 'commodity credit' or 'money credit'. If the fellow who does not have capital borrows 40-commodity credit, he has to take 60 money credit. He pays interest on the 'money credit'.

## 3) Development of credit system

In the pre-capitalist societies, a large part of the 'production' used to be consumed without going into sales. In societies where sales themselves are few, there is a less scope for the development of 'credit system'.

But, the 'entire production' in the capitalist society has to pass through sales. Any capitalist in any branch produces commodities exclusively for 'sales' instead of for his 'family needs'. This, we have seen before. Yet, let us recall here once.

Suppose the capitalist of the 'coarse-cloth' undertakes the production of 100 metres of cloth daily; that is 365×100=36,500 per year. How much cloth does he use for his family needs? That family may not use even a single metre. Or, in case he uses, he may use 10 or 15 metres in a year. The amount of cloth, which his family uses alone, will not enter into sale. He has to sell the remaining thousands of metres of cloth.

If we suppose capitalist of a 'daily' newspaper gets one-lac copies produced daily, only 1 or 2 copies that he uses will not go into the sale. Except, that he has to sell all the lac copies daily.

How many pairs of shoes does the family of a 'shoes-capitalist' use?

How many soaps does the soap-fellow's family use in a month?

How many pens does the pen-fellow's family use in a month?

How many chairs does the chair-fellow's family use?

How much cement does the cement fellow's family use?

How much coal does the coal-fellow's family use?

How many radios does the radio fellow's family use?

Thus, take any commodity. The portion that goes into the consumption of the capital's family without going into sales is unimaginably less. In the case of some kinds of commodities, even that much consumption will not be there. It means that every capitalist has to 'sell away' his entire commodity. He has to buy from other capitalists all the commodities necessary for the 'productive' and 'family' needs! Thus, the entire mass of commodities that is produced in the society has to pass through the scene of 'sales'. Hence, Capitalist Mode of Production itself means system of commodity production. It is a system of production for sales.

But, 'system of sales' gradually evolves into 'credit system'.

Every capitalist buys the 'means of production' that he needs on 'credit basis' to some extent and sells his commodity also on 'credit basis'. Suppose the 'yarn' capitalist buys 'cotton' that he needs on the 'credit basis' and sells the yarn made of that cotton to the 'cloth capitalist' on the credit basis only. Finally, when the cloth is produced by that yarn, sold and money received...

The cloth fellow pays to the yarn fellow.

The yarn fellow pays to the cotton fellow.

The cotton fellow pays towards his loans.

In this manner, every capitalist, on the one hand borrows commodity credit and on the other hand borrows new loans.

The main part of the 'mass of social production' is sold on the basis of 'commodity credit' among the productive capitalists of different branches and among the productive capitalists and the commercial capitalists.

On such occasions when money is immediately sold for the commodity, some capitalists buy with own money while some others buy with the borrowed money. In this manner, in order to carry on the processes of production and circulation in capitalism, commodity credit system on the one hand and money credit system on the other hand develop in such a way that they were unheard in the past societies.

## 4) Bank, another name for 'money credit'

It is not possible to imagine 'money credit' in capital without the existence of 'bank'.

During the period when there were no 'banks', moneyed people (like landlords and merchants) used to keep their money under their own custody. The moneylenders used to do their own business individually. Gradually, banks had emerged in order to do 'service' to the moneyed people. They also get 'profit' from such 'service'. No capitalism can do 'use-less' service, isn't it?

'Bank' is also a capitalist company. Like all businesses, running a bank is also a business. It functions with the objective of earning profits and interests on its 'capital'. Only if we first understand this fundamental aspect will the issues that we see later be clear correctly.

Among the productive commercial capitalists some people will have as much money as they have to 'hoard'. They deposit such money in the banks.

Some money is always available in the 'reserve' with all the capitalists so that they can use it for business needs every or any time. They deposit such money also in the banks and withdraw whenever they want.

Within the 'working class', workers who do higher mental labour 'save' some part of their 'wages'. They deposit such 'savings' too in the banks.

Thus, income of all the sections within the 'capitalist class'; reserves necessary for business activities of the capitalists, portions that are temporarily not in the business, parts of the government funds that are not in use and the parts and savings that are not in use temporarily in the income of the some sections within the 'working class'—all such amounts reach the banks.

Money remitted in the 'bank' is a deposit to the bank.

All those who remit money are depositors.

A large part of the 'depositors' are various kinds of capitalists: both individuals and companies.

It is the capitalists who remit a large part of deposits.

'Banks' do 2 kinds of functions: (1) Money-dealing, (2) Money-lending.

**(1) Money-dealing:** Money dealing means dealing with money-related transactions. Keeping the money of the depositors in safe custody and give it back whenever they want; settling the payments and receipts that take place among depositors; sending money of the non-depositors as well to the places wherever they want—all the transactions concerning money come under 'money dealing'. So far as these activities are concerned, banks serve the capitalists as a 'book-keeper' and 'cashier'. All these activities require offices and workers (c+v). This entire cost is 'money-dealing capital'. The capitalist, who runs the bank, invests this capital. The bank collects some charges (some price) for each of these functions. What remains, after deducting the capital (spent on that function) from that 'charge', is the profit from 'money-dealing capital'. Since all these activities act as commodities by collecting charges, this capital is productive capital.

One of the money-dealing activities that a bank does is 'settling the transactions among the depositors through accounts'. This settlement of accounts is possible only through a bank as follows. Suppose depositors A, B and C have their accounts in the same bank or different banks.

**A** has to give 100 rupees to **B**.

**B** has to give 90 rupees to **C**.

**C** has to give 120 rupees to **A**.

If we have to settle these transactions without a bank, **A** has to carry 100 rupees and give to **B** and get 120 rupees from **C**. **B** has to go to **C** and give 90 rupees. In this manner, the entire money has to be in their hands directly. But, in order to settle the same transactions through bank, it is enough to see the accounts of all the three. If we deduct 30 rupees in **C**'s account and raise 20 in **A**'s account and 10 in **B**'s account, the transactions of all the three people will be settled through changes in the accounts without 'real money'. In this whole transaction, the money that a person gets will not go elsewhere. The mass in the account of the person who owes money decreases and the mass in the account of the person who has to receive money increases. This method of clearance that takes place through changes in the accounts is possible only in the banking system.

But, there are both positive and negative consequences of settling money transaction through accounts.

**Positive consequences:** As it is possible to settle the transactions of the capitalists through accounts, a small mass of money is enough to circulate in society. Society need not spend more means and labour for such activities as producing 'money'.

**Negative consequences:** 'The condition that a small amount of money is enough to circulate' itself is a negative consequence. On some specific occasions, scarcity of money leads to a situation that may be called 'money crisis'. (This, we will see in the chapter on 'Crises').

Let us assume that the 'banking system' has 'developed' a lot. Which means: sales and purchases between capitalists take place through 'commodity credit' and 'money credit'. The settlement of their money accounts takes place through bank accounts; they give wages to the workers by way of bank cheques and workers too give cheques when they buy commodities in the shops. Thus, all the money transactions take place through credit, bank cheques and transfers in the accounts. Let us say that all this is taking place due to the banking system. If it happens like this, does it mean that we have eliminated money itself from the society? No. This is merely changing the 'form' of money.

Giving a 'bank cheque' instead of a 'currency note' means simply changing the money form but not eliminating 'money' itself.

Whether money is in the form of 'currency note' or 'bank cheque' or any token related to 'value', it is money only. It amounts to the existence of money. It is another form of 'money'.

Mere change of form is not a change in the essence of the matter. Changing merely the form of money is not eliminating money.

The banking system, however it may develop, can reduce the quantity of money that circulates but it cannot do away with money. It is not possible through the banking system.

The banking system can accomplish the 'reduction of money quantity' also to some extent only. It is not possible even for the banking system to carry on every thing through banks and accounts without the existence of 'real money' (currency notes).

**(2) Money-lending:** The second function that a bank performs is 'money-lending business'. To do this business, the money that the bank needs is mainly the money of deposits. (In this business, bank-capitalist too may have his 'own money'. Things won't change due to that).

Some of the depositors put their money in the bank by way of 'fixed deposits' so that they don't take back that money until some years. (Another name for these is 'time deposits'). Some other people put their money by way of 'demand deposits' whereby they can take back their money as and when they want. Even in the case of these demand deposits all people do not take back their money at the same time. While some people 'take' back their money, others 'deposit' their money at the same time. Hence, some money connected with the demand deposits is always available in the bank. **The whole of fixed deposit and a part of demand deposits serve as capital for the bank to conduct 'money-lending business'.**

The bank keeps some part of the total deposits as 'reserve' (in order to give to those who want their deposits back) and with the remaining money, it gives 'loans'.

Those who do not have their own capital and those who do not at all have capital of their own borrow loans from the bank. They conduct business (productive and trading business) portion of their 'general profit' as 'interest'. Out of this interest, the bank pays less interest to its depositors.

Out of the balance that still remains, the bank deducts the costs that it incurred its money-lending business and retains 'some profit'.

Which means, the rate of interest that the bank charges from its borrowers will be more than the rate of interest that the bank pays to its depositors. Owing to this difference, the bank is able to do business.

For example, the capitalist who borrowed loan from the bank gets 60 general profit on 100 capital. The interest that he pays to the bank is 25. The interest that the bank pays to its depositors is 12. What still remains for the bank is 13. Out of it, the cost of money lending business of the bank is 5. Finally, what remains for the bank is 8. Who ate the 25 interest, which the bank received from the capitalist? Both the bank capitalist and the bank depositors together ate it after deducting those business costs.

If the capitalist with 'money' conducts money-lending himself without depositing his money in the bank, then he can earn more interest than what the bank gives. But these business costs will be at a higher level than the costs incurred by the bank. If the capitalist puts his money in a bank (if he lends it to the bank as loan) that person will not incur any business expenditure. But interest decreases.

It means that the bank is doing money-lending business on behalf of the depositors, while taking some share in that interest. However, while explaining the nature of money-lending business of the bank, it is not enough to say that 'bank gives loans'. Any money capitalist would give 'loans'. There is no speciality of the bank in that activity. The speciality of the bank in this aspect is its ability to give loans with the 'same amount of money' many a time. This is possible only for the bank. This is how it is possible.

Let us consider all the banks together as a single bank. Let us say there are initially 100 rupees of all kinds of all kinds of deposits in the bank. Out of this, the bank can put some part in the 'reserve' (in order to pay to the depositors who want their money back) and lend loans with the remaining part. If the bank wants to keep one fourth of its 'deposits' in the reserve, it can keep 25 in reserve and give loans with the remaining 75. The bank has to pay interest on 100 deposit from the interest that it collects on 75, which it lent. Yet, some interest remains for the bank.

What do the productive and commercial capitalists do with the 75

money that they borrowed from the bank? They either buy commodities connected with their business or clear the loans, which they borrowed earlier for their commodities. Whichever way it may happen that 75 money goes from their hands to the hands of other capitalists. If those other capitalists too buy some commodities, that will again go into the hands of other capitalists.

Though that money circulates among any number of hands, after some days others will deposit it in the bank. That is, it will again come back to the bank. This time, it will come as a deposit in the name of other capitalists. This will be a 2nd deposit. Return of this 75 money to the bank does not mean that all the loans lent earlier have been collected and hence returned to the bank. It only means that, while the originally lent loans remained unpaid, that money came again to the bank through new people (or through the old people as new deposit). That is why it is 2nd deposit.

The bank can lend loans again with this 2nd deposit. But, even now it has to keep again a 4th portion in the reserve. A 4th portion in 75 is 19. The remaining portion is 56. If the bank gives loans with this 56, it would be a loan given from the 2nd deposit. When the bank pays interest on 75 deposit from out of the interest it collected on this '56 loan', there remains, some amount for the bank.

Again, after some days this 56 money also returns as new deposit. This is the 3rd deposit. The bank has to keep a fourth portion from this in reserve. A fourth portion in 56 is 14. The balance is 42. If the bank gives credit again with this, it would be a credit given with the 3rd deposit. After paying interest on 56 deposit from out of the interest that the bank gets on this 42, there remains some amount for the bank.

Again, this 42 money will come back to the bank. This will be 4th deposit. Thus, it happens many a time.

If we see this up to 3 times, details will be as follows:

| | Deposits | Reserve fund | Loans |
|---|---|---|---|
| 1) | 100 | 25 | 75 |
| 2) | 75 | 19 | 56 |
| 3) | 56 | 14 | 42 |
| Total: 231 | | 58 | 173 |

If we add loans and reserves (173+58=231), it will be equal to the total deposits.

The source for 231 deposits is 100 rupees only. The amount of deposits has increased due to the repeated returning of the money that left the bank. If the bank, at any time, has to give away all these 1st, 2nd and 3rd deposits to the depositors, it (the bank) has to completely collect all the loans that it has to get back. If all the loans do not come back, it will not be possible to pay to the depositors).

Even the money that constitutes 'reserve fund' does not remain static like that. Even with that, they keep giving short-term loans that come back quickly.

Thus, if we look at all the banks together, the 'reserve fund' decreases to the possible minimum level and a large part of the deposits remains outside the banks (in the hands of the capitalist who received credit).

If a person gives rupee notes when he has to pay some money to another person, it will be 'government money'.

If that person pays a 'cheque' or a 'draft', it will be 'bank money'.

Money circulation has been taking place through 'bank money' since the beginning of the 'bank system'.

Suppose all the banks together are able to lend '500 credit' with 100 currency notes.

Out of them, 100 currency notes are 'government's money'.

The remaining 400 is bank's money. It means that 400 value circulated by way of bank cheques and drafts that people issued to each other.

As the capitalists as well as workers in capitalist countries increasingly handle their money transactions through bank accounts, bank money rather than government money increasingly functions to satisfy the needs of money circulation.

In a capitalist country, there may be 40% of government money and 60% of the bank money. Or, the first might be 20% and the second might be 80%. Thus, both of them function for the sake of circulation needs.

In countries where banking system has not developed, government money will be more.

Issuing many hundreds of loans with only 100 currency notes and circulating bank cheques of many hundreds of values with only 100 currency notes is possible only through the banking system. This was not possible in the earlier times when people used to do money-lending business individually. When we say that 'banks do money lending business by giving loans', we have to understand the 'technicality' of the 'banking system' whereby the little amount of money (government money) available in society is used again and again for more needs.

## (3) Why 'credit'?

For what purpose do the banks give more credit while they give loans with the money of their deposits?

Banks in the capitalist countries use a large part of their deposits mainly to discount the 'bills of exchange'.

Bill of exchange or exchange bill means 'a letter of credit wherein the capitalist, who, without paying 'money' immediately after buying the commodity, gives an undertaking that he would pay it on a particular future date. People also call it 'commercial bill'.

**A** sold the commodity to **B**. If **B** agrees to pay the money immediately, that transaction takes place through another bill. **B** pays money and takes away the commodity.

But let us say that **B**, without paying money immediately, gave an undertaking that he would pay it along with interest after 3 months. **A** will have that 'Bill of Exchange' in his hands. **B** will have commodity in his hands. That will be sold after 3 months.

If **A** keeps that exchange bill safely with him until 3 months, he would get whatever he has to get from **B** along with interest. But, let us say, **A** wants to convert that bill immediately into money. He proceeds to a bank. He can mortgage that bill and take loan on it. He would pay to the bank along with interest as soon as he gets money from **B**. Or, he can even sell away that bill to the bank. Bank buys that bill at somewhat a lower price (with discount) and pays money to **A**. Later, after 3 months the bill matures. By then **B** sells away the commodity. **B** knows that the

due date of the bill, which he has to pay, is approaching. The bank that kept the bill in its custody collects the whole thing along with interest from **B**. In this entire transaction, the function of the bank is to 'discount the exchange bill'. 'Discount rate' also means 'interest rate'. The bank discounts the bill as per the existing interest rate. The money, which the bank spends on this activity, is also deposit money. Which means, the bank either buys or takes on mortgage the bill with the deposited money and earns bank interest. It pays some percentage from that interest to its depositors.

For discounting exchange bills there will be, not only banks but also, 'discounting broker companies'. The entire activity of these companies is to do the business of discounting bills. All those who put their deposits (capital) are the depositors of these companies.

Suppose **A** gets his bill discounted in a broker company rather than in a bank. A broker himself pays money to **A** and takes that bill. If the broker himself keeps that bill for 3 months, he would get the whole of interest on that bill. But, if the broker needs money within a month, he would get it re-discounted in a bank. Which means, he would give the bill to the bank on some discount and takes the money that he has to get. The bill will be in the custody of the bank. Finally, when the bill matures, the money, which **B** has to pay towards the bill will reach the bank. It means that in this transaction, the interest that has come through 'bill discounting' got distributed among the 1st broker, bank and the depositors.

The bank too may get its bill rediscounted at another bank.

We have seen earlier that when a commodity reaches the consumer via four or five traders, the 'commercial commission' that comes through that commodity goes to all the trades in certain quantities. The same thing happens in the case of 'discounting of the bill'. If the broker who discounted initially (bank is also a broker) keeps it until its maturity date, he would get the entire interest that comes through the bill. Or, if that bill passes through the hands of four or five brokers for 'rediscounting', then the interest on it will get distributed among all those brokers (depositors as well).

Though a broker-company has some of its own capital, which it got through its depositors, the broker companies generally conduct their business with the loans that they borrowed from the banks.

Whether a bank itself directly pays money on the bills; or a broker pays money, which he borrowed from the bank as a loan, summary is the same. In these examples, the money that discounted bills is the money of depositors only.

People may use bills to repay the debts as well.

**A** owes some money to **C**. **A** has in his hands the bill that **B** gave him. **A** can 'endorse' that bill in favour of **C**. Then, **C** alone will get it discounted. If the loan of **A** is not fully cleared through that bill, there remains some balance.

A capitalist, after getting his exchange bill discounted and receiving money, would begin 'new production process' with that money.

It means that banks make available credit to the capitalists at every or any by discounting bills.

In capitalist countries, all the sales among capitalists mostly take place through exchange bills. Because of this, 'bill market' will be more. That is, there will be many opportunities for the business of 'bill discounting'.

Just as 'native bills' emerge from 'native trade', 'foreign bills' emerge from 'foreign trade'.

Foreign banks and foreign exchange branches of native banks conduct the trade in discounting foreign bills.

Suppose there is a bill belonging to country **B** in the hands of the exporter belonging to country **A**. That bill fetches money of **B** country to **A** country. (The exporter of **B** country gives that bill in his own money). **A** gives that bill to a bank and takes the native money according to his own calculation.

If the bill of **A** were in the hands of **B**, **B** also does the same thing in his country.

Due to the bills of **A** country, **B** country gets the money of **A** country.
Due to the bills of **B** country, **A** country gets the money of **B** country.

The banks of the 2 countries cancel bills of equal values periodically. Every time, any one of them will have some balance to pay or receive.

Banks face certain kinds of frauds in this business of 'discounting bills'.

The banker believes that the bill that came to his bank is a 'genuine bill' and pays money on it. But it may be a forged bill (bill with a fake signature). It means that the original owner did not give the bill.

Or, even if the signatures on the bill are genuine, that may be a fake bill, which the owner might have created without the actual sale of the commodity. Let us say **A** needs money. He may collude with **B** and create a bill with the signature of **B** without selling commodities to **B** and get it to the bank. It will not be possible for the banker to know that it is a fake bill. Even the real bill would also be like that. Therefore, the banker gives him money. Later, when the bill matures, it is the responsibility of **B** to pay the money to the bank. If **A** gives away money to **B** by then, **B** would pay back that money to the bank. The secrecy of the fake bill remains a secret. Or, let us say both **A** and **B** evaded the payment of money to the bank. A case proceeds again them in the court. They pay money only when it becomes unavoidable. But, they get money whenever they want due to the technique of 'false bill', isn't it?

There may be occasions when the banker (the bank official of the concerned section) accepts the fake bills knowingly. Which means, even that officer too is a partner in that collusive activity! The official resorts to such a daring act because he is confident that the broker (or some other person) would definitely repay the mortgage when the bill matures! Usually, brokers repay the mortgage of the bills because they will not get loans again from the banks through such fake methods. If they pay the bill to the bank and take back that bill, the secret will not come out, however fraudulent and forged the bill may be. The bank officer cooperates with that activity with a belief that every thing goes smoothly. In return for that cooperation, the official would definitely get a 'reward' in some form or the other from the broker.

Thus, fake bills can come into existence in as many ways as possible.

The banks, obsessed with profit motive, keep falling in the danger of giving loans on fake bills besides genuine bills.

Banks consider some property as surety when they give loans on occasions other than the bills of exchange. They give loans by mortgaging (as surety) such property as precious metals (gold and silver), houses, lands and certain kinds of commodities.

Under certain kinds of governmental schemes, banks lend loans without mortgaging.

This activity of giving loans by the banks will also have both positive and negative consequences.

**Positive consequence:** The capitalists, who need 'money capital', will find it easy to secure capital. When means of production are readily available in the society and when it becomes easy to secure money capital, it becomes easy to use means of production. As a result, the production processes will go on without interruption. As the sources of commodity credit and money credit become easily accessible, newer and newer branches of production that were not in existence until then begin to emerge. Competition among important branches arises and there develops a situation that leads to a 'general rate of profit' so that there will not be excessive gaps between the profit rates of various branches.

**Negative consequences:** The banking business may lead to 'Inflation'. This is how it happens. By giving credit, banks function as institutions that supply 'money-capital'. 'Money-supply' does not simply mean 'government money'; it is bank's money as well. The money supply in a given week is something that includes the loans that banks gave in that week. Influx of money into circulation, either in large quantity or small quantity, depends on the quantity of money supply, either in larger quantity or small quantity. Thus, there is a connection between the banking business and money supply. Since what the banks do is also a business, they compete with each other with a profit motive. As banks can earn more 'interest' if they give more 'loans', each bank tries to give as many loans as possible. Banks give loans irrespective of the amount of 'money in circulation' which the society actually requires. Though every capitalist borrows loans only for his need, this situation may give scope to draw money into circulation in large quantities than the 'value' of the products existing in the society. If we take a certain period of time as an example, the quantity of money that comes into circulation has increased, let us say, without an increase in the 'mass of products'. Which means, the quantity of money that the bank earned through its credit exceeds the circulation needs. The capitalists who secured those loans try to buy the then existing products only. Due to this inflation arises and commodity prices increase. This situation, whereby commodity prices rise without a rise in wages, will harm the wage-earning class a lot.

Moreover, while providing credit, banks do not keep in view such questions as 'which branch of production requires more credit, which branches should develop and so on. It is because, this is not the duty of the banks. Its entire duty is to do its business 'profitably'. Hence, they try to give more credit in such a way that it secures more profits for them.

Another negative consequence of extension of 'credit system' is 'over-production'. That is, so much production that they cannot consume. We have seen that the 'production process' goes on smoothly as the commodity credit and money credit develop. Carrying on a new production process means nothing but consumption of already available means of production. Yet, a situation arises wherein some more means of production remains unused. Every reproduction process is carried out on an extended scale and yields larger mass of production than before. To this, growth in productive powers too is added and the 'mass of products' keeps growing. Gradually, it leads to 'over-production'. (We will see this point in detail in the chapter on 'crises').

As the real capital (productive capital) always keeps growing in society, money circulation should also be raised in appropriate proportion. But there should be a balance among the expansion of 'real capital', expansion of 'money supply' and expansion of 'interest-bearing capital'. But this becomes impossible due to banking business. Let there be any number of laws that 'regulate' the banking business, all of those become useless in practice.

Among banks, there will be not only private banks but also state banks. But, let the bank run under anybody's control, what it should do is 'money lending' business only. The 'money-capital' has to earn interest and profit through its business. Therefore, under capitalism, state banks also function with profit motive like private banks.

There are banks that have specialised in various fields: savings banks, commercial banks, credit banks, mortgage banks, cooperative banks and so on. Every bank receives 'deposits' and gives credit. There will be certain kinds of differences.

## (4) 'Monetary Institutions' other than bank:

Just as some capitalists own various kinds of productive companies and trading companies, there will also be 'monetary institutions' (finance

companies). These institutions do not undertake all the activities, which banks do. They simply do 'money-lending' business. They borrow 'credit' from those who give money and in turn give that money on credit and earn interest.

The so-called 'Chit-fund' companies too do the same kind of function and earn 'profits'.

'Insurance companies' too collect 'money', give it as 'credit' and receive interest. They pay out of interest alone towards accidents and also interest on policies when they mature. At the end they earn some 'profit' after deducting all the company expenses.

The 'provident fund' companies too do the same kind of function. They deduct every month some portion from the wages of the workers and pay that amount along with some interest after the retirement of the workers. Until then, money-lending business will go with that fund.

Thus, banks, various finance institutions that are not banks—all are capitalist institutions that do money-lending business.

All the monetary institutions taken together constitute 'money-market'. The interest and profit, which this money market earns, is part of 'social surplus value' only.

## 5) Usury

'Usury' also means 'interest'. But this was the name of interest during the period before capitalism.

Just as 'trade' has been in existence since the past times, 'money-lending business' has also been there.

Suppose there were slaves, slave masters, traders and independent producers in the past. Among the slave masters and traders, those who accumulate 'money' and do 'money lending business' would also stand as 'money-capitalists'. The other slave masters, other traders and independent producers may stand as borrowers.

'Usury' is not similar to 'bank interest' that we find in modern capitalist society. It used to be much higher interest than that. In some countries and in some contexts, usury rate used to exceed 100% or 200% per year. Usury of this level used to 'expropriate' not only the property

of the small-scale producers but at times the property of 'landlords' as well. Hence, in the ancient world people used to have extreme fear and hatred for usury.

'Usury' could remain at that level, only until capitalist mode of production began. If interest rate under capitalism too is at that past level, profits that productive capital and merchant's capital get would be very low. Hence, since the beginning of capitalism, productive and trading capitalists began to raise hue and cry asking for the reduction of usury rate. As it began to 'develop' further, capitalism, in order to suppress the usury rate, waged legal battles through the governments and waged social battles by establishing 'banking system'. As the 'commodity' credit, trade and money dealing began to develop further during the manufacture period of capitalism, the interest-bearing capital began to subordinate itself to productive and trading capitals. Which means, the rate of usury of olden times began to diminish.

People don't hate the banker of the capitalist world as they used to hate the usurer of the past. It is because, capitalists who borrow credit are not ruined by 'bank interest' just as the borrowers of the past were ruined by usury. Moreover, bank acts as a 'helper' of capitalism (though it earns profit through its business). Though capitalists find a way to secure 'credit' throught banking system, they have to show sound guarantee. Therefore, small capitalists cannot secure bank loans just as big capitalists can secure. Small-size capitalists, Independent producers and Independent traders have to borrow credit at higher interest rates from private capitalists. In the case of loans that workers borrow, it amounts to the near existence of 'usury rate' even today.

## 6) Foreign debt

As there would be trade among different countries, there would also be 'commodity-credit' and 'money-credit' among these countries. Also, interest calculations along with the 'loans'.

Let us suppose that the rupee country purchased a commodity of 100 dollars on credit basis from the dollar country. To clear off that debt, the rupee country has to export its commodities to the dollar country equivalent to the commodity value. There will not be any other way to clear off the debt. But, let us say that the debt is not in the form of 'commodity credit' but is 'money credit of 100 dollars'. What will happen

then? How should the rupee country clear that 'money debt'? Even then, it has to clear it by the first method. What happens after taking that money loan is this: those dollars remain in the bank of the dollar country itself (under the control of that country only) in the foreign exchange account of the rupee country. Now it means that the rupee country has so much foreign money. If the rupee country has to use those dollars, it has to buy commodities from the dollar country (from the companies of the dollar countries). The rupee country can pay off those dollars for those commodities. Therefore, in order to repay the 'money credit', it has to export its commodities equivalent to that value (along with the interest) to the dollar country. However we may look at it, the matter is the same. Whether the rupee country took 'commodity credit' first or 'money credit' first and then bought the commodity with it—any way is the same. Money is simply a form of commodity. Of the two, whichever we may borrow, it amounts to borrowing 'some value'. Therefore, whatever we ought to do to repay 'commodity credit', the same thing we have to do in order to repay the 'money credit' as well. Giving its own commodities is the only way to repay any loan.

Let us see an example in another manner. Suppose the rupee country, without buying from the dollar country, buys from another country called **K**, which accepts dollars. Then dollars go into the 'foreign exchange account' of **K**. If **K** wants to spend those dollars, it has to buy commodities from the dollar country. Which means, **K** sells its own commodities to the rupee-country and buys from the dollar-country. If **K** too, without buying from the dollar-country, buys commodities from **P** with the dollars that it received, those dollars will go into the account of **P**. Then, even **P** will buy from the dollar-country with those dollars. Which means, even if the rupee-country itself does not buy from the dollar-country with the 'money-credit' that it got from the dollar-country, some other country will inevitably buy from the dollar country. However it may happen, essence of the matter is the same. The dollar-country that lent 'money-credit' will be able to sell the commodities of its companies to the extent of the value of the credit.

If one country gives 'credit' to another country (whether it is 'commodity credit' and 'money credit'), it does not mean that the loaning country is doing some 'benefit' to the foreign country. It simply means that it is selling its commodities. But, sale of commodities by a country

in the form of lending implies that the second country, while repaying its debt, has to sell its commodities to the other country. In this transaction, both the countries sell to each other. The lending country receives its value in that manner only. But in this whole transaction, the benefit that the loaning country gets is that it gets 'interest' from the second country. (It earns some 'value', that is some 'production', in the name of 'interest'). However, the fact that the loaning country is earning interest does not appear as an important thing; instead it appears outwardly as if that country is doing a lot of help to the second country. That relation between the two parties will end immediately if money is paid immediately after commodities are purchased. But, if 'loan' continues, that relation will exist as a long-term relation until loan is paid.

## 7) Foreign capital

When we say 'capital', it may be 'money capital' or 'productive capital'.

If the dollar country gives '100 dollars of money capital' to the rupee country, it means it gave 'money credit'. We have seen that the country that gives credit earns interest through credit. Or, suppose the dollar country sent 100 dollars' worth of 'means of production' (machines etc.,) to the rupee country, established a factory under its ownership and started producing commodities. Those means of production, which the dollar country sent to the rupee country, are neither exports nor 'commodity credit'. If the dollar country buys 'raw materials' in the rupee country itself for the sake of its factory in the rupee country, they are exports, which the rupee country sold to the dollar country. The workers, who work in that factory, belong to the rupee country. The dollar country has to pay their wages in rupees only.

Finally, the commodity produced at that factory belongs to the foreign capitalist only. The 'price' of that commodity will be in rupees only. Yet it is not the commodity of the rupee country. Whether the dollar country sells that commodity in the rupee country or in any other country, the 'general profit' that comes through that 'commodity' belongs to the capitalist of the dollar country. Which means, the capitalist of the dollar country is appropriating the surplus value of the workers of the rupee country. If we see this from the workers' side, it is the foreign capitalist and not the native capitalist who enjoys the surplus value of the workers.

If the dollar country invests 'money capital' in the rupee country (if it gives 'money credit') it earns only 'interest' through it.

If it invests 'productive capital', it gets 'interest + productive profit'.

## 8) Shares

If a single capitalist invests the entire capital needed for a company, the whole 'profit' that comes through the capital will go to that single capitalist. If two or three people together invest it, those two or three people share that profit.

If there are hundreds of thousands of shareholders rather than two or three, all of those shareholders share that profit. They get some profit for 'each share'.

The company that has hundreds of thousands of shareholders is a 'joint-stock company'. As capitalism 'develops', joint stock companies, which consist of many hundreds of thousands of shareholders, will begin to emerge, instead of such companies which have a single capitalist as a proprietor.

'The fact that capitalists earn profit and interest without doing labour' appears more glaringly than before through the examination of share-capital. How capital transforms into a fictitious form will also be evident by the examination of share-capital. How 'monopoly' on 'means of production' begins will also be evident from the 'joint stock company'. We will be able to understand all these things only by seeing 'share-capital'.

### (1) Joint stock company:

A capitalist started a productive company with a capital of one lac. He wanted to convert his company into a 'joint stock company'. He divided the total capital (of one lac) into shares, kept some shares for himself and sold the remaining shares to outside capitalists. Thus, the first company changed to a 'joint stock company'.

Or, at the very outset, some capitalists together want to establish a 'joint stock company'. They calculate the total capital required and divide it into shares. They keep some part of those shares for themselves and sell the remaining to outsiders. Thus, a joint-stock company may begin in any manner.

Let us say a joint sock company requires '1 lac' capital. The total capital required is 'registered capital'. Or, 'authorised capital', or 'nominal capital'.

They divide the 'lac' capital into some shares. If each share is at the rate of 100, they will be thousand shares; if each share is at the rate of 10, they will be a total of 10 thousand shares. Let us say that in this company, they divided into shares of 10 rupees each, that is 10 thousand shares.

The capitalists who started the company decide, let us say, 6 thousand shares in the name of their family members and sell 4 thousand shares outside. The share capital that is given to outsiders is the 'issued capital'.

The buyers of those shares buy 50, 100, 200 or such other number of shares each. Thus, if outsiders buy those 4 thousand shares, it becomes a 'paid-up capital'. Then it amounts to the fact that initiators of the company invested 60,000 capital and the outsiders invested 40,000 capital. Since then, that company becomes a joint stock company concerning all the shareholders. All the shareholders are members in that company. That is, they will be owners of that company.

'Share' is also called 'stock'.

'Share holders' are also called 'stock holders'.

There are many categories among the shares with such names: ordinary shares (common shares, or equity shares), special shares (preferred, specified, **A** class shares) and so on. Dependending on the differences in the shares, there will also be difference in the rights of the shareholders.

'Stock' is a cover term for all the shares.

People who established the company keep for themselves all the special shares. Or, they may even sell very few shares to outsiders.

Mostly, ordinary shares alone go out.

If a company has hundreds and thousands of shareholders, all of them are scattered and spread over across many places without any connection with one another. It is not possible for all those shareholders to organise the company together. Hence, a board of directors becomes necessary to conduct the affairs of the company. All the shareholders

assemble at one place (it is general body) and elect 'directors' from among the shareholders.

All the shareholders will have the 'voting right'. (Foreign shareholders do not have the voting right).

Since people with more shares will have more votes, those who have more shares will become 'directors'. Usually, ordinary shareholders do not attend the general body meetings. To become a director, it is enough to get the majority votes from among the shareholders who attend. Thus the capitalist who started the company and his family members will certainly become 'directors'. Among the other shareholders, those who have somewhat more shares may also become directors.

The capitalists who started the company may declare themselves as directors from the time of inception itself. Later, these positions may become permanent with the approval of all the shareholders.

All the directors taken together constitute 'board of directors'. This board of directors alone takes all the decisions concerning the company.

'Managers' oversee the day-to-day activities of the company. The managers also will have 'shares' in the company. This means, managers are also shareholders in the company. The 'board of directors' itself appoints managers. The function of the managers is to 'manage'.

Since this function of 'management' is connected with the 'exploitative mode of production', this management consists of 2 kinds of labour: labour of organisation and labour of domination.

Labour of organisation is productive labour.

Labour of domination is unproductive labour.

The low-grade employees such as supervisors perform the labour of organisation to a large extent.

If at all there is any labour, which the directors and managers do, it is simply 'thinking' about such issues as: 'how to compete with other companies', 'where should they sell their commodities', 'how to secure orders', 'what sort of techniques should they adopt in order to extract further more labour from the workers and so on'. All this does not come under any labour. That is, it does not come under 'unproductive labour' either. It is because they have to be present in the work place in order to

do 'labour of domination' over the workers. If at all there is something called 'labour' that they perform, it is simply 'unproductive labour'.

Apart from this, there is another 'great' labour, which the directors and managers do: it is the labour of signing the 'share certificates'!

These people get 'higher wages' for this labour!

The surprising thing is that they decide their wages for themselves. As it is the directors who make all decisions, it is the directors themselves who fix their own wages.

Apart from the highest wages and various kinds of special facilities (privileges), these directors and managers also get 'profit' on their 'shares'.

All those profits constitute a different 'income'!

(If 'wage' is for the 'labour' that these fellows did, then what about their 'profit'? It is for the labour that they did not perform!)

**(2) This is a change in the 'form' of the company';**
**Not in the 'character':**

'Joint stock company' appears as if it is not private property of any single individual but it is a 'joint company' concerning all people. Which means, it appears as if that there is a collective ownership and not the ownership of any single individual over this company. But this 'collectivity' is limited to only those who have shares in that company. Which means, this collectivity is merely collectivity of the capitalists. This is a change in the 'form of ownership' but not the 'character'.

Even this change in the form is also not a real change in toto. Though a joint company appears outwardly as the collective company of the shareholders, all the shareholders in fact will not have authority over it. The real authority over the company will be in the hands of some families only who have a large number of shares. The members of those families occupy important positions in the company. That is, Joint Stock Company too is like a private company of a capitalist's family. However, it belongs to, instead of a single family, to 'two or three' families or 'four or five families'. This is the only difference.

**How does a 'share' get profit?**

The company produces some 'commodity' or the other by means

of workers with the cost of **c+v**. The company gets 'general profit' if it sells the commodity so far we know.

What happens then is that all the 'shareholders' distribute that profit.

The company first pays income tax to the government from its 'general profit'. (It inevitably evades a major portion of the tax by showing false account. It retains whatever it evades).

If there is some portion in the capital which the company borrowed (besides the share capital), the company pays 'interest'.

And then, the company sets aside some portion from the profit specifically for the sake of 'expansion of capital'. After all these deductions, the company distributes the remaining profit among the 'shareholders'.

The profit that the share gets is called 'dividend'. This **dividend consists of interest on the share capital + profit of the enterprise.** If the shareholder purchased the share from his 'own capital', the entire dividend belongs to him. Or, if he had brought that capital on 'credit' some portion of the 'dividend' goes as interest and only the second part remains with him.

The company distributes dividends on shares once in 6 months or once in a year (Each company in its own way). The shareholders get their dividends through bank cheques by post.

If a person has 5 hundred or thousand money, he cannot establish his own company with that money. He can not establish a company on his own even if he has 5 or 10 thousand. But, if he buys shares in a company, without money, he can become a 'shareholder' in that company, even with that less money. Thus, he can change his money into 'capital'. Which means, he can become a capitalist.

It means that the person, who bought shares in a 'joint stock company', invested some capital in that company! However, many of those shareholders do not know even where that company is and what commodity it produces. But, they keep getting dividends from that company each year. Which means, they keep enjoying the surplus value of the workers who work in that company.

Foreign capitalists too buy shares in a different country. Which means, while the shareholder is in one country, the company is in another country. 'Dividend' from another company comes and falls in the hands of the shareholder. All the shareholders taken together are masters of the property of the company. If at any time the company is closed and properties are sold out, whatever remains after paying credit and taxes, belongs to the shareholder.

## (3) Is 'profit' a fruit of the labour of management?

Though they do not admit the fact openly, capitalists fully know what profit means!

But during the period when the system of joint stock company did not begin, that is during the period when there were only companies with single person ownership, 'profit' used to appear as a 'remuneration for the labour of management of the company by the capitalist'. There arises a scope to oppose this 'illusion' logically only in the system of 'joint stock company'.

This is how it appears. Let us take the company of a single capitalist. It is merely a small company. Let us say that the capitalist himself does the entire 'labour of management'. We have seen a while ago that the management labour connected with the exploitative mode of production consists of labour of organisation and labour of domination. We have also seen that labour of organsisation is productive labour, while labour of domination is unproductive labour. The person, who does labour, whatever labour one may do, is entitled to take 'wages'. But the value of productive labour alone enters into the commodity value. The value of unproductive labour is part of 'surplus value' of the commodity. Here, to make our example simple, let us assume that the entire labour that the capitalist does is 'productive labour' only. That is, let us assume that the whole of it is labour organisation.

The capitalist too can take wage for his labour of organisation. Even if he takes wage like that, finally 'profit' will remain separately at the end in addition to that wage. (We are calling the entire surplus value 'profit').

But, there would be no other shareholders in that company. Hence, the capitalist does not take anything specially under the heading of 'wage'

within his company. Even if he does not take any wage, that portion will not go anywhere. It adds to the 'profit' and the amount that finally remains will be more.

If the capitalist does not take any 'wage', the amount that remains finally will consist of the following portions.

1) The value of the labour power of the capitalist(wage).
2) The surplus value of the capitalist.
3) The surplus value of all the workers.

The capitalist gets all these 3 portions together. This entire amount appears to be the fruit of the labour of capitalist. The fact that this amount also includes 'surplus value' of the workers (profit as well) does not appear. Since the capitalist performed labour without taking 'wages', the whole thing that remains at the end appears to be the fruit of his labour.

The fading out of this 'illusion' begins only when an 'employee' begins to do the entire labour, which the capitalist used to do!

Let us say that the capitalist stopped doing the 'labour of management' and an 'employee' (manager) does that whole work. The capitalist pays 'wage' to that employee. The capitalist gets profit at the end even after paying the wage. The capitalist, who does not do 'any labour', gets that profit. It means that 'profit' is something that is unconnected with the labour of management! This fact is proved precisely when the capitalist stops doing the labour of management as well.

This fact becomes further evident under the system of 'joint stock company'. Here, the employees alone invariably do the entire work of management. 'Profit' remains after paying wages to the employees. Hence, the age-old argument of capitalist economists that 'profit is nothing but what the capitalist gets for managing the company' now become meaningless.

If 'profit' is the fruit of the labour of managing the enterprise, how could a 'profit' still remain even after paying the highest wages to that labour? If 'profit' is something that comes in return for the labour done, what is that labour which the shareholders in a joint company, who live at different places and countries and receive profit, perform? Except evasion, the capitalist economists do not have proper answers to these kinds of questions!

They do not have only one argument; there will be many kinds of arguments with them.

On the one hand, they argue thus, 'since the capitalist does a lot of labour, he takes profit in return for that labour'.

On the other hand, they argue thus, 'It is irrelevant whether the capitalist does labour or not. In fact, capitalists have no need to do labour. Mere investment of 'capital' should get profit. Why should a capitalist invest capital if he does not get 'profit'?

These 2 arguments are their own arguments. The first one as well as the second one are theirs. If they make such haphazard and incoherent arguments, it would benefit the workers a lot. The truth reveals itself through their haphazard and incoherent arguments.

An example: 50 workers are working under a capitalist. The capitalist himself is doing the 'labour of organisation'. Surplus value is 100. Out of it, the portion of the capitalist is 5. The portion of the 50 workers is 95.

As the capitalist is also doing the labour of organisation, the 100 surplus value here belongs to all (the 'collective'). In fact, the maximum portion belongs to the workers only. The portion that belongs to the capitalist is only 5. Yet, we may refer that 100 surplus value as the collective surplus value since that surplus value includes some labour of the capitalist as well. Similarly, we may characterise the appropriation of the entire surplus value by the capitalist as 'collective production and individual appropriation'. This characterisation is adequate only in a very limited sense.

But when the capitalist stops doing 'labour of organisation' also, the question of 'collective production' does not arise.

Let us say that an employee is doing 'labour of organisation'. That employee is also a worker. The remaining workers are 50. Even then the surplus value is 100. Which means, it is the surplus value of the 51 workers. The capitalist appropriates it. It does not at all include the labour of the capitalist. Hence, the expressions, 'individual appropriation of the collective production', will not have even the previously existing limited meaning. This is nothing but complete appropriation of others' production.

The same thing happens in the system of 'joint-stock company'. Here, the expression 'collective production' will no longer apply since there will not be any portion of the capitalist in that production.

In the system whereby shareholders, who have nothing to do with 'labour' receive dividends, the expressions like 'individual appropriation of the collective production' will become completely meaningless.

After the beginning of joint-stock company, 'capital' exists in the form of 'shares'. Hence, we have to see many more issues concerning the joint-stock company. It is good if we know these things as much as possible.

## (4) Release of shares:

When a company intends to receive capital from the outside shareholders (public), it announces its intention in the newspapers. The capitalists, who want to buy shares of that company (who want to invest capital in that company) remit money in the bank which the bank prescribes. After some period of time, they receive 'share certificates'. If they don't get as many shares as they want, they get back their balance money. Thus, buying 'share certificates', which the company releases, is itself investing 'capital'. Those who bought share certificates are shareholders of that company.

The share certificates contain such details as the actual value of the share, name of the shareholder and so on.

That certificate is a 'proof' to say that a person has invested 'capital'. Therefore, we may also call it 'security'.

The company does the work of selling shares either through its own 'office' or brokers or banks.

Though, a 'share' is not a commodity, there will be traders called 'share-brokers' for selling shares of companies just as there are various kinds of traders to sell other commodities. These people take 'commission' depending on the 'share price'.

Brokers, not only buy shares for other capitalists, but also, buy shares for their own sake.

Suppose a capitalist has some shares in a company. Those share

certificates will be with him only. They are his property. If that shareholder would like to take back his capital at anytime, he cannot ask thus, 'Give back my capital'. The company will not give back the 'share capital'. Then what the shareholder can do is that he can sell away his shares to some one and get back his capital from the company. He can sell shares like that. It amounts to selling away one's own property. When those shares are sold away, the buyer will be the new owner of those shares. That new person himself is a shareholder in that company. That new shareholder will get the dividends that come thereafter.

## (5) Share 'price':

The actual value of a share is 100 rupees.

A shareholder has purchased it from the company at its actual value. Later, the seller, when he wants to sell, will have to take 100 rupees only (neither less nor more), isn't it? But, the 'selling price' of the share will not be like that. It depends on the 'strange logic of interest and calculations'.

This is how it depends. Suppose the example is like this. Share value is 100 rupees. Dividend per year on that share is 20 rupees. The then existing bank interest per year is 10%. While people who deposited 100 capital in the bank get 10 income, those who bought the share of a particular company get double income (20). Suppose some one wanted to buy shares of a company (to invest capital in that company) by seeing the 'dividend' that the company offers. But, let us say that company had already sold away all its shares by then. Now, what should that person do in order to get those company shares? That person has to buy those shares from any one who is ready to sell.

It is possible to earn more income than the bank interest through those shares. Hence, the seller of those shares quotes somewhat higher price than the 'actual price'. The buyer too agrees to pay that 'higher price'.

Higher means, how much more? How does that price form? The formation of price takes place due to the following 3 factors: (1)The dividend on that 'share', (2) The interest rate of the bank, (3) Supply and demand of those shares.

Since there is a scope to earn 20 dividend per annum through this

share, the 'share price' would be so much that it is closer to an amount that is required to deposit in the bank in order to get 20 income (that is, when bank rate is 10%).

To get 10 interest, a person has to deposit 100 in the bank.
To get 20 interest.....?
He has to depostit

$$\frac{100}{10} \times 20 = 200.$$

The formula of this is: $\frac{\text{Dividend } (20)}{\text{Bank rate } (10)} \times 100 = 200.$

Here, a share, whose actual value is 100, might have a market price upto 200. But, it would be little less than that, instead of being 200 in toto. It is because, the dividend that the company gives every year may not be uniform. It may sometimes decrease to some extent. Which means, if a person buys a share with 200, there is no guarantee that it gets 200 dividend. If he deposits 200 in the bank, there is a guarantee that he would get 20 interest. Therefore, the person who buys that share does not agree to pay the 200 price fully. He expects that the price should be somewhat less than that. Therefore, in this example, the share price will be somewhat higher than 100 and lower than 200 and somewhere in the middle of the 2 limits.

If a person buys that share for 150, it is a profitable bargain because he will not get 20 interest on 150 if he deposits in the bank. But he would get 20 dividend if he buys that share for 150. That is why, the person who invests 'capital', calculates as to which way he would get more income: whether by depositing that capital in the bank or by purchasing shares; he tilts towards the way that fetches him 'one paisa' more.

Then, **s** and **d** too show their impact in this aspect. Suppose, the people who wish to buy the shares of the company are more in number and those who want to sell away their shares are less in number. It means that there is more 'demand' for those shares. In such a situation, the price of that share may be up to 200.

Let us say that there are speculations in the 'capital market' that the dividend that the company gives is going to rise from the next year; or that the company got some big order; or that the company is going to issue again new shares (rights) soon at the actual value; or it is going to give bonus shares (free shares) to the shareholders; or that it is going to start another company; or that it is going to merge with another company; or that something that increases profits is going to happen. As a result the number of people, who are very eager to get the shares of that company may increase. Then the share price may rise more than 200. In this manner, **the market price of the share deviates from the 'actual value', depending on such factors as dividend, interest rate and supply and demand.**

If dividend rises without a change in the 'interest rate', the share price rises further; it decreases if the dividend decreases. If dividend decreases too much, then no one would like to buy shares. Hence, share price may decrease than the actual value.

If interest rate rises without a change in the dividend, share price decreases. If interest rate decreases, share price increases. (Interest rate of the bank keeps changing at least once in a month).

In fact, dividend and interest rate do not change very often. But, 'share price' changes very often. The reason is a change in the supply and demand.

The share price of a company may be one thing in the morning and another thing in the afternoon. The situation in the morning is that; the situation in the afternoon is this!

While a 'strike' goes on in a company, the shareholders of that company will be scared of it. If shareholders begin to think that the profits of the company are falling and hence it is better to get rid of these shares, they begin to sell those shares. If the number of sellers increases and buyers decreases, the share price existing until then decreases. If the strike is called off while shareholders are afraid of the strike, the share price may remain stable. Or, it may even rise!

If the shareholders come to know that the director or manager, who is 'efficiently' running the company fell sick, the share price may decrease. If the 'sickness' of that 'efficient' person recedes, the share price may

remain stable. If a person , who favours a company, assumes a new position as minister, the price of that share might increase since the company may secure many 'concessions' through that minister and thereby its profits may increase. The price of that share may decrease if that minister goes out of power. Thus, share price increases if any thing that favours an increase in the profits occurs; and share price decreases if anything that adversely affects the profits occurs. In this manner, supply and demand frequently change and thereby share prices frequently change.

## (6) Where does that 'increase' come from?

If the share price is higher than the 'actual value', where does that higher value come from?

Let us say that a shareholder called **A** sold a share, whose actual value is 100 for 150 (50 higher than the actual value). Let us suppose that **B**, who bought that share for 150 from the 'income', which he earned earlier through 'interest' or 'profit'.

If we see from the side of **A**: the 100 capital invested until then in the company in the name of **A** returns to **A** and he even gets another 50 also from **B**. That '50' is a portion, which **A** was able to extract from the income of **B**. **A** will not have a share any longer.

If we see from the side of **B**: The 100 capital out of 150 which **B** spent goes into that company and the remaining 50 capital goes into the hands of **A**. **B** gets a share.

If we see from the side of the company: The share capital within the company does not change, whatever be the share price outside. It remains 100 as ever. Only the name of the shareholder changes.

In this whole transaction, 50 has gone to **A** from the income of **B**. The share of **A** has gone to **B**. The capital in the company is as ever. It has not at all changed.

Which means, when a shareholder sells his share at a price higher than his 'purchase price', that 'increase is from the income of the purchaser of that share.

Owing to the sale of a share at a higher price, the seller gets 'more' money from the buyer. It (that increase) will not go as new capital into the 'industry'.

What will **A** do with that 150, which he earned by selling a share that he bought for 100? Either immediately or subsequently he buys the share (old or new) of another company.

Let us say **A** purchased from **C** an old share of 100 value for 140. What has happened here?

The share of **C** goes to **A**.

40 out of 50 that **A** earned from **B** goes to **C**. The balance of 10 remains with **A** only.

The capital of the company, whose share **A** bought from **C**, will not change at all.

Which means, even if they sell old shares again and again from this side to that side at any higher prices, the capital in the 'industry' will not change at all. It neither increases nor decreases.

Only when old companies release new shares, and

only when new companies begin to function—the capital in the industry increases.

Now, let us see how many times a person can sell a share at a price higher than its actual price.

The actual value of the share in a company is 100. There is a scope for its price to increase up to 200 depending on its dividend, interest rate of the bank etc.

If the capitalists who possess those shares want to earn 'dividends' every year, the question of the resale of the shares does not arise.

But, if the purchase of shares is meant for the purpose of resale, the shareholder sells them away as soon as the share price increases a little. (Increase in share price implies that some one or any one agrees to buy it at a higher price).

Let us say that **A**, who purchased a 'share' from a company at its 'actual value' only (at 100 only), sold it to **B** at 150 after some period of time. Which means, **A** has earned '50 more' while taking back his capital.

Let us say that **B** sold it to **C** again after some time at 170. **B** too earned '20 more', while taking back his capital.

Let us say that **C** also sold it to **D** at 200. **C** too earned '30 more', while taking back what he invested.

If we stop here and look back as to what has happened so far,

The fellow who first purchased the 'share' for 100 is ..... **A**.

The fellow who purchased at the end for 200 is ..... **D**.

What are the places where 200, which **D** spent has gone?

One 100 is concerned with the 'actual value'.

Another 100 went into the pockets of **A**, **B** and **C**.

50 to **A**+ 20 to **B**+ 30 to **C**= 100.

All the four, ABC and D are the capitalists who buy and sell shares in the companies.

When **D** bought that share for 200, **D** got the share and a 100 has gone from D's pocket to the pockets of A, B and C. If that 100 does not transfer like that, it would have remained in the pocket of **D**.

Which means, by selling a share for a price more than the actual value by 100, three capitalists were able to grab the money of one capitalist. That's all what has happened here.

Let us say that there are no good opportunities for that share price to increase more than 200. Which means that the dividend that comes on that capital will not yield even the bank interest if the price increases further. If dividend, interest, supply and demand remain constant as ever, the share price will not increase further.

Yet, we can not say that the '200 price' remains unchanged. Some changes (good or bad) may occur in that company. Shares of new companies may come into the market. Since new shares are available at the 'actual value', some shareholders of old shares may sell some of the old shares in order to buy the new shares. Then the prices of old shares may decrease to some extent. Thus, due to some changes, a share price, which reached to the maximum by then, might decrease to some extent. Or, if the shareholder does not like to sell his share at a lower price, he will not sell the share. He goes on eating dividends.

## (7) What is the source of 'share capital'? What is the source of 'profit' that comes after selling a share? What is the source of 'dividend'?

If a person called **A** buys a share for 100, it is the capital that **A** invested. Whether it is the own capital of **A** or borrowed capital, that capital is the part of 'surplus value' which came out of the previous production processes.

If **A** earns a 'profit of 50' by selling that share to **B** for 150, even that profit is also previous surplus value already lying in the pocket of **B**. **A** was able to extract it.

If **B** gets 20 dividend on that share, that dividend is part of the new production process.

Which means, capitals invested for buying shares, profits earned through the resale of the shares are part of 'old surplus value' and the dividends that shares get are part of 'new surplus value'.

On the whole, share capitals, profits earned in the share business, dividends on shares—all belong to the working class only.

## (8) 'Real' capital and 'fictitious' capital:

We have seen that the actual value and market price of a share are different. But, which capital produces the dividend that a share gets?

Let us suppose that the value of a share is 100. Market price is 180. Dividend is 20.

Does 100 capital produce or 180 capital produce this 'dividend'?

It is the 100 capital that produces; not 180.

The points that we have to understand here are the following.

1) The capital in the 'production process' connected with that share is only 100. Since this alone is the 'functioning capital', this alone is real capital. If the capitalist sells that share for 180, it is a transaction that takes place outside the 'production process'. Hence, that 80 is a 'non-functioning capital'. It is simply a capital that exists in the form of money only. This is why it is 'fictitious capital'. Which means, it appears as 'capital' but does not function as capital.

2) Though dividend appears as 20, the profit, which the 100 capital produces, is not simply 20. It is more than that. We can explain this fact as follows: capitalists distribute 'dividends' only after deducting many items from 'profit'. Hence, the amount that appears in an example is not the actual profit. Profit will be much more than that.

3) All components within the functioning capital do not produce 'dividend'. Only the portion of wages produces dividend. That is, in this example, a portion of in this '100 capital' is producing more profit than 20.

**'Dividend' is not 'interest'**

The actual value of the share is 100. Market price is 180. Dividend is 20.

If we assume that dividend (20) comes through the actual capital (100), then the dividend will rightly appear as a sum of interest and profit of the enterprise. It is because, the whole thing is not merely interest. But, if we see the same dividend as though it came through more capital (180) than the actual capital, then the dividend appears simply as 'interest'; but as an interest that is a little better than the 'bank rate'.

Then, dividend = interest + profit of the enterprise.

Market price of the share is 180. Dividend is 20.

Then dividend = interest only.

As the person, who buys a share by investing 180 capital, earns through it 20 dividend, it creates a false notion as if:

- more capital is functioning as a share while in reality less capital functions in the 'production process'.
- More capital itself is giving 'dividend';
- Dividend is merely interest—it creates such false notions.

Whatever we see in the case of a single share, the same thing applies to all shares. Therefore, if we see all shares in society together, it appears as though:

- More capital is functioning while less capital functions in society in reality;

- More capital alone is giving the total dividends;
- All the dividends are only interests.

In our daily life, when we see the share prices in the newspapers, real values of shares do not appear. Market prices alone appear. It is because, for the buyers of the shares only such questions are relevant as 'how much capital should be invested for a share' and 'how much dividend comes from it' but not 'what is the actual value of a share'. Therefore, the buyer is not concerned with the question, 'what is the actual value'.

Even to those shareholders who retained their shares without selling them for the sake of 'dividend', the dividend appears as interest. This is how it appears.

Suppose a person has a share of 100 value. Its market price is 180. Dividend is 20. Even though he does not sell his share, he would calculate his share value based on the market price. That is, he thinks that he invested 180 as capital and not 100. Since he thinks that his share capital is 180, the dividend 20 that he gets appears as 'interest'.

Once the system of 'shares' has begun, the phenomena of actually functioning capital and its general rate of profit become obscure and such terms as 'market price of the share' and 'interest rate' become important usages.

## (9) As the share price rises, the 'interest-bearing' capital gets profit proportionately:

Let us see 3 kinds of examples.

1) There is no own capital with **A**. He needs 100 capital as 'credit'. Interest rate is 8%. The general rate of profit is 20%. This is a personal company of **A**. Let us say that **A** has borrowed 100 money from a bank. If he earns 20 general profit through the borrowed capital of 100 and pays 8 as interest, the profit of the enterprise is 12.

2) Now, let us see 100 capital itself as 'share capital'. Let us assume that the actual value of the share and its market price are the same. Let us consider the general profit as 'dividend'. **A** does not have his own capital to buy the 'share'. Share value is equal to the actual value. Hence, 100 capital is enough for **A** to buy a share from another shareholder. **A** bought the share by borrowing 100. Which means, **A** invested 100 capital in a

company. He received 20 dividend. After paying 8 out of it as interest, 12 remained. Everything as in the first example. It is because, the size of the capital at both the places of borrowing is the same.

3) Now, let us see as if the share has a higher market price than the actual value. If the share has a higher market price, the credit for buying the share would also be higher. Other aspects do not change.

The actual value of the share is 100. Market price is 50. **A** has bought the share by borrowing 150 as credit. On that 150, he got 20 dividend. After paying 12% as interest on 150 at the rate of 8%, what remains for **A** is 8.

In this example, the money capitalist had an opportunity to lend more credit. More credit could earn more interest. Without a change in the 'interest rate' and 'general rate of profit', more interest-bearing capital functioned and received more interest. But, 'an increase in the capital that goes as credit here' does not mean that the increased portion would not function in the production process.

If share price increases, one has to borrow more credit to buy that share. More interest goes on more credit. Even the further increased credit portion too would not enter into the production process.

> "Not every augmentation of loanable money-capital indicates a real accumulation of capital or expansion of the reproduction process". (Capital, vol.3, p.485)

Owing to an increase in the share prices, institutions that lend money credit give more credit and earn more interest. The profit that the borrower gets decreases and the interest portion increases. Therefore, increase in share prices is very much advantageous for the interest bearing capital. It gets an opportunity to lend more credit. It can grab a large portion from the mass called 'general profit'.

## (10) Profit of company promoters:

Now, let us see how the companies, who release shares, earn a special profit called 'promoter's profit'.

Let us say that a company has released shares once (at the rate of 100 rupees per share) and sold them away. Later, the market price rose up to 200. Suppose demand for those shares rose further. That is,

shareholders are ready to buy those shares at a price higher than 200. In such a situation, if the company releases again new shares, it will not give them at their 'actual value' this time. It fixes a somewhat higher price them the 'actual price'. For example, 120. What the company says is this, "The price of our share in the market is nearly 200. But, we are giving our new shares for 100 actual value + 20 premium =120. How cheap is it! Hasten to buy!" Which means, the company is intending to earn for itself some portion of the profit that comes due to selling that share again and again. That is why, it quotes a higher price for its new shares. When the share, whose price is 200 outside, is available only for 120 in the company, it is 'cheap'; hence capitalists run after such shares.

New shares function as 'new capital' and give new dividends.

The premium that comes through new shares is a 'personal profit' of the capitalists, who started the company. (They are now company directors). They have to get this profit since they did a lot of hard work to start the company and developed it so much! Which means, the 'promoters' who started the company should get 'special profit' in addition to the 'dividends' they receive like other shareholders. That is, 'promoter's profit'. They may use that profit in such a way that it will not have any connection with other shareholders.

If shares have demand, they sell it at a 'premium' even the first time.

If the shares released with 20 premium are 1 lac and if all of them are sold out, the promoter's profit that comes through those shares is 20 lacs! If premium on a 'share' is more than 20, promoter's profit will be abundant like heaps and piles. It is a special profit, which the company promoters get from the income of the buyers of those shares.

If the company had given those shares at its 'actual value' with that premium, that profit goes to the shareholders. Or, if it does not go to the shareholders, it goes to the company promoters.

**Any other source of promoter's profit:**

'Non-payment of dividend in as much quantity as it could pay to the shareholders' is another way of getting 'promoter's profit'.

Let us say that the company gives only 25% dividend, though it is possible to pay 30% dividend based on the profits that the company gets.

Also, let us say, that the company increases the dividend by 5% only while there is a scope to raise it by 10%. Thus, the whole thing that the company saves by not paying 'dividend' properly may be 'promoter's profit'. This may happen in such a way that the shareholder too would come to know about it. But on many occasions, shareholders do not know all the affairs of the company. They don't get exact accounts. One of the 'labours' that the 'board of directors' does is to explore various ways to cheat the shareholders.

Along with the main labour of cheating workers, this is an 'additional labour' for the directors.

What does it matter when the portion which the workers do not get goes to shareholders or directors? Whoever may get it, it makes no difference for the workers.

Each company gives its own dividend because profits of the companies somewhat vary from each other.

Some companies sell their shares at their 'actual value' (at par). They give dividends at an 'average' level.

Some companies sell their shares at a price higher than the actual value (with 'premium'). They give higher dividends.

Some companies sell their shares at a price lower than the actual price (with 'discount'). They give lower dividends.

If there are too many differences among the dividends that different companies give, shareholders try to buy shares that get them more dividends. Inflow of new capital for those companies that give less dividends decreases. Therefore, owing to competition among companies, all the companies try to give dividends that are appropriate to the share price approximately.

If the price of the share that fetches more dividend is high, the price of the share that fetches less dividend would be less. Due to this, the profit rate that earns 'share capital' would nearly be the same at all places.

## 9) Stock-exchange and stock-broker companies

Both 'share' and 'stock' mean the same. In some countries, they call 'shares' and in some countries they call 'stocks'.

If a company wants to sell its shares; if it itself wants to buy shares of other companies; if individuals, who do not have any shares, want to buy shares from any one of the companies; or if they want to sell the shares that they already possess and want to buy shares from another company—these people entrust all these jobs to 'share brokers'.

Brokers do the job of selling or buying those shares and receive brokerage (commission).

Every shareholder will be a client of some 'broker' company or the other.

Shareholders do not merely mean individuals. Companies and other institutions as well.

All companies, such as productive companies, trading companies, banks, finance companies that are not banks, insurance companies and provident fund companies buy shares. If one company buys shares in another company, it means that the first company invests capital in another company.

All the broker companies are 'market places' for selling and buying for the clients.

Not only broker companies, but also a 'stock-exchange' is a place of buying and selling shares.

Sale of new 'shares' by a company is a primary market transaction. New shares will be available at the company, company's broker and the company-approved bank.

Repeated sale of shares once bought is a secondary market transaction. Here, sale of new shares does not take place.

The whole thing that takes place in a 'stock-exchange' is a secondary market transaction. Here, sale of new shares do not take place.

'Stock-exchange' is a market organisation in which share brokers are members. That is, an organisation of brokers.

Among the stock exchanges, there will be some government-recognised exchanges. There may be 'unrecognised exchanges' as well.

Let us consider the recognised 'stock-exchange'. Every broker does not get membership (license) in this exchange. Neither non-member

brokers nor shareholders themselves are permitted to transact at the 'stock-exchange'.

Members of the 'stock-exchange' (that is, brokers) elect a 'council' from among themselves through a secret ballot. The council members elect a chairperson and a vice-chairperson. (These designations may be different exchanges of different countries). There will also be a 'government broker' whom the government officially appoints. The entire 'governing body' supervises the affairs of the exchange.

In large-scale exchanges, thousands of employees work in many sections.

Brokers have to pay thousands of rupees as deposit for membership in a 'stock-exchange'. In some exchanges of very big cities, they have to pay some fee to the 'exchange' every year. Some portion of the commissions, which the brokers earn regularly, also goes to the exchange. All these constitute 'income' of the exchange. What remains, after deducting exchange expenses from this income, is 'profit'. This profit will be distributed among the members of the exchange only. For the sake of this profit alone, members pay any amount of deposit for that membership.

In addition to what they pay to the exchange, the share brokers have to spend on: the wages of the employees in their own offices, office expenses and everything. Which means, this entire cost is met from the 'commission' that the brokers earn.

Brokers talk to their clients in their offices only (either face to face or by phone) and take 'orders'. Later, they either sell or buy shares depending on the orders. If he is a broker, who has a membership in the 'exchange', he will be able to do his business not only in his own office but in the 'exchange' as well.

The broker that does not have a membership in the exchange carries on his whole business in his office only. Or, he may also do in other exchanges that do not have government recognition.

(Lawyer talks to the clients in his office only and argues their cases in the 'court'. Similarly, the share broker talks to the clients in his office only, receives orders and does accordingly in the stock exchange: If possible, he would do it outside the stock exchange as well).

In order to start the 'secondary' sales of the shares of a given company in the 'exchange', it has to be listed (registered) in the exchange. The exchange does not list each and every company. It lists only those companies, which provide information as per the conditions of the exchange.

The company will be listed in the exchange only after it releases its shares. Thereafter, the exchange permits the company to sell its shares.

The company may get itself listed in many stock exchanges. The price of the share of that company will be slightly different in different countries. **s** and **d** are specific to each exchange.

The companies of one country may get listed in the exchange of foreign countries. The foreign capitalists too buy the shares of a given country.

There will be many companies who have not registered themselves in the stock exchange. They too keep selling their shares.

After the system of 'joint-stock company' began, investment of capital in companies has been taking place only by way of buying shares of that company. Either individuals or institutions, which want to invest capital, have to buy shares through brokers either in primary markets or secondary markets.

A broker gives such advice to his clients (whether they are individuals or companies) as to which company's shares they can buy, at what price they can buy or at what price can they sell their shares and so on. The broker should know about all the companies in order to give advice to the clients. Hence, employees work under the broker in order to collect information at any or every time.

Broker companies collect such information—as 'dividends of different companies, changes in the share prices, exchanges where a given company is 'listed', progress and bankruptcy of the companies—from news papers that publish economic issues and from other 'researches'.

Some clients, based on their own market knowledge, decide to buy shares of a particular company at a particular price (or to sell their shares at particular prices) and place an order with the broker to do accordingly. Some other clients leave the whole thing to the brokers only.

Sales of shares of certain companies takes place at different places within the 'stock-exchange'. (Sales of foreign company shares too takes place at special places).

Our broker, as per the order of his client, goes to the relevant place. He asks briefly thus, 'particular company—how much?' These are the few words that he utters, that's all. Other brokers know that this fellow is asking about the share price. The last price about 2 minutes before the closing of the sales was 150 rupees. Some one among the brokers who wants to buy the shares of that company says, '150-150.25'. It means that 'the last sold price of this share is 150. But, I don't give it for that price now. I will give it for 150.25 only'. The broker who sells it, tries at first to secure a high price whether he is selling his own shares or shares of the clients. That is why, he quotes the price by rising 25 over and above the price quoted 2 minutes ago. However, the broker, who buys those shares, tries as far as possible, to buy at a lower price, whether he is buying for himself or for his clients. He would say 'not 25, 12½'. Which means, 'not 25 paise. I will give 12½ paise only'! If the selling broker says, 'yes, it amounts to the completion of the sale of that share. The new price is 150 rupees 12½ paise.

Bargains may take place in another way as well. When the broker **A** asks, 'particular company—how much', it is not clear whether that fellow buys the shares or sells the shares. Yet, let us say, broker **B**, who is ready to buy as well sell the shares of that company, says thus, '120-121'. It means as follows: 'I will buy for 120 if you sell the shares of that company. If you buy, I will sell it for 121'. 2 kinds of prices for the share of the same company! If broker **B** himself sells those shares, he would buy for 120! If he himself sells, he would sell it for 121! That's it! It is his bargain! It is his wish!

The broker **A** may agree to sell it for 120 only, if he wants to sell the shares. Or, if he wants to buy those shares, he may accept for 121. He may not agree for any price, if it doesn't appeal to him. But, he will not say thus, "Do you want to buy at a lower price when you buy and do you want me to buy at a higher price when I buy the shares of the same company? Do you have any sense or not?" That is it!

A sort of 'auction' takes place among the sellers and buyers at the counter of bargains. If one fellow agrees to pay higher price than the other fellow, that bargain goes to another fellow.

If many brokers are ready to pay the same price, they toss a rupee coin and decide as to who should get that bargain.

Finally, the two brokers who arrive at a bargain go aside, write down details, append signatures and send those chits to a particular spot' in the exchange office.

The price at which a share is sold is its 'quotation'. The quotation that was 150 about 2 minutes ago has now changed!

Payment of money does not take place immediately after the sale of shares. At least 10 or 15 days time will be available to make payments. Transactions between brokers are settled through the accounts of the brokers in the 'exchange' itself.

Even if money is not paid immediately after the bargain is reached it amounts to the change in the 'ownership' of the shares.

The news that the share of a particular company is sold at 150.12½ (That is, the news that the price of that share has risen by 12½ price) reaches instantly to other exchanges in the foreign countries through the 'mechanism' in the exchange via its quotation room. (This is what the 'modern communication system' in the country does!) Brokers transfer 'share certificates' after money payments take place. Along with it the broker gets the commission and out of it some portion goes to the 'exchange'.

(Whichever way the share 'price' may change, the share certificate contains the 'actual value' only. The name of the shareholder changes).

If the price of that share decreases instead of increasing when the brokers reach at the bargain (Let us suppose that the broker, who buys shares asks for less than 150 and the broker, who sells it, agrees for that), then the same news reaches all the exchanges.

Even if one sale takes place with a change in the price by 12½ paise, it amounts to a change in the share price.

Let us say that at 10'o clock brokers **A** and **B** reached an agreement that **B** bought 100 shares at a given price from **A**. Though the shares have not yet come into the hands of **B**, **B** has the right to sell them again at any moment since they belong to him. In another half an hour, **B** can sell those shares if **C** asks at a little higher price. Even if those shares do not

come into the hands of **C**, **C** can sell them to **d** in another 10 minutes. All these transactions will be settled later. Shares will reach the last fellow.

The stock exchange announces every hour the prices of the shares that are being sold. A rise in the 'price' implies that the demand for those shares is rising and a fall in the 'price' implies that the demand for those shares is falling. Thus, the brokers can know every hour the demand for shares of different companies. In this manner, share prices reflect the conditions of the company to some extent.

Whichever way the share price may change (either rise or fall) after a company releases and sells some shares, all of it is something that takes place outside the company. The company will neither gain nor lose due to that. If the share price, whose value is 100, becomes 150, that increased 50 capital does not enter the company. Similarly, even if the share price falls by 50, that decreased capital does not go out of the company. Whichever way the share price may change outside the company, no change would take place in the capital within the company.

Yet, changes in the share price that take place outside, will cause gain and/or loss in the case of securing 'new capital' for the company! A considerable rise in the share price of a company (that is, if people are buying those shares at a higher price) implies that shareholders are very keen in investing capital further in the company! If that company releases again 'new shares', it can easily sell them and earn new capital easily. That company cannot buy new shares and cannot earn new capital if the share price does not rise adequately or if it is on the decrease. Thus, changes in the share price influence the earning of 'new capital'.

## (1) Frenzy for share 'profits':

Many shareholders and brokers do not know that there are certain laws that regulate the rise in the share prices and they don't rise endlessly. Since the price of a new share, bought at its 'actual value', rises to some extent, they think that the price would go on rising further and further.

The actual value of the share is 100. Suppose **A** has bought it from the company at its original value. The share is initially in the hands of **A**.

Let us say that there is no 'real' scope for the share price to rise above 180, depending on the 'dividend' it gets. (Which means, if the

price rises more than 180, that capital will not get even the bank interest). But, let us say that **A** is quoting 200 price to sell that share.

**B**, who believes that the share price rises constantly thinks thus, 'If I buy this share now for 200, its price will rise further, isn't it? When it rises up to 210, I will sell it and earn 'profit'. Suppose **B** thinks thus and buys that share from **A** for 200.

**A** will get 100 profit from that share.

If **B** too has to get profit later, there should be people who would really buy that share for more than 200. 'Profit' comes only when the 'selling price' is more than the 'buying price' isn't it?

Like **B**, **C** also bought the share for 210, thinking thus, 'If I buy this share now for 210, its price will increase further. I will get profit if I sell it then'. Which means, the share price rose as **B** expected!

How did it happen as **B** expected? It is because there is **C** who thinks like **B**! **B** too will benefit from **C** who does not hesitate to buy that share for 210. **B** gets 10 profit.

Well, why does **B** sell away that share only then? Does **B** not have confidence that the price would rise beyond 210?

Since he got the expected price, **B** may sell his share; or he may look forward for a higher price as well! **B** bought the price only with an intention to sell it again, isn't it? Therefore, he has to sell it at any time. We are assuming that sale price to be 210. That is, **B** sells it for 210.

If **C** buys the share of **B** for 210, **B** would also benefit from it.

If **D** buys the share of **C** at a higher price, **C** too would benefit from it.

If **E** buys the share of **D** for a further higher price, **D** would also benefit from it.

It is the same case with **E**! With any other fellow!

For the present, Let us assume **D** as the last fellow

**B**'s ignorance is profit for **A**.!

**C**'s ignorance is profit for **B** !

**D**'s ignorance is profit for **C** !

If **D** too has to get the profit, another 'stupid' is needed!

Such a fellow will be there just as all these fellows were there!

At some time, if a fellow called **K** (this fellow is the 11th one) bought that share for 400 from another fellow (from the 10th fellow) called **J**, it would not be surprising. That fellow buys like that with the hope that he can sell it again either for 420 or 430.

Of the 400 price, which **K** paid, the actual value of the share is 100. Surplus is 300. Who received this 300 surplus? Did **J** receive this 300 profit since **K** sold that share to **J**? No.

All those 10 fellows (from **A** to **J**) who bought and sold that share in the past received that 300 profit.

Now the share is in the hands of **K**. If **K** too has to get a profit, there should be some one who will buy the share for more than 400.

The seller would get a profit only if someone buys it at a higher price, isn't it?

In the 'share business', the seller has to get his profit from the buyer!

In the case of such products as cloth and sugar, the seller will not get either a 'profit' or incur 'loss' when he sells the 'commodity'. He would simply get an equivalent value in return for the 'commodity'. That value includes 'surplus value'. That surplus value does not belong to the buyer of the commodity. Which means, profit in the case of products does not come from the buyer.

But the share business is not like that. It does not operate according to the law of 'giving some value and receiving the same amount of value'. Here, in order to get a 'profit', the value received should be higher than the value given. The 'selling price' of the share should be higher than its 'buying price'.

If the seller of the share has to get a 'profit', the buyer should buy it at a higher price and give his income to the seller as profit. Otherwise, there will not be any scope to get any profit.

It means, in order to carry on the share business, share price has to go on increasing.

Thus, to what extent is this constant increase in the share price possible?

**K** has a share with him, which he bought for 400.

If **K** has to get a profit, someone should buy that share for a much higher price.

Okay, let us say that **L** purchase the share of **K** at a higher price.

Then, if **L** too has to get profit?

Again another fellow too has to buy it for a higher price. Okay, let us say that another fellow bought it.

If that 'another fellow' too has to get a profit?

To say that 'one fellow is selling' means that 'another fellow is buying', isn't it? If one fellow is relieved of the share with profit, that share will fall on another fellow, won't it?

Thus, if we take someone as the last fellow, what will happen to that last fellow? How should he get a 'profit'?

The illogicality of capitalism is not concerned with the 'irrationality' of such a false business as this, which expects profit from the buyer to the seller.

The capitalist economists especially the 'stock market experts' try to show the share business at the level of a great 'science'. These experts preach that shareholders should conduct their business with great intellect. The great intellect consists in 'purchase of shares when shares fall and sale of the shares when they rise'!

The seller will be in front of the buyer, isn't it?

The suggestion to the buyer is that he should buy only when the price falls!

The suggestion to the seller is that he should sell only when the price rises!

Price should fall for the sake of this fellow!

Price should rise for the sake of that fellow!

The 'experts' keep preaching repeatedly in a modified form the same trashy and incoherent intellectualism. They say that one should sell

the share when there is a 'good price'. They say one should not have the avarice that 'price' would rise further. They say one should do business with 'intelligence' and 'knack'.

When it is necessary to sell away a share at a given price and when it becomes foolish to expect a particular level of price to rise further, why should any other fellow buy that share at that price? If that price 'does not rise further', how should the buyer get a 'profit'?

If **A**, who sold away the share at a particular price, is an intelligent fellow, then **B**, who purchased that share at that price, is a foolish fellow, isn't it?

The foolishness of **B** itself is the 'intelligence' of **A**, isn't it?

Which means, the whole thing in this business is a fraud to thrust shares upon others. The entire preaching of the experts is that shareholders should exhibit intelligence and knack in committing frauds!

However much knack one may exhibit in selling the share, the problem of price would not be solved. This problem, if it leaves one fellow, catches another fellow!

A share remains to be a 'growth share' (a share in the stage of price-rise) so long as its price rises above its 'actual value' to the extent that such a rise is based on the logic of interest calculations. If that price keeps rising even beyond that limit, without minimum logic based fully on speculation, that would be a 'speculative share'.

The price will not rise unendingly in any fraudulent business. Sometime or the other a situation would inevitably arise whereby a share cannot be sold at a further higher price.

Suppose such a situation has arisen for **K**.

Suppose **K** could not sell his share for more than 400, however long he waited. Moreover, he could not sell, let us say, even at the 'purchase price'. Suppose, he sold that share to **L** for 350 with the view that it was better to get rid of that share.

**K** has not only not secured profit but also incurred 50 loss.

Suspicion begins in the minds of shareholders, once the price of a share falls.

Suppose **L** also sold the share at a lower price since he could not sell it for more than 350.

Similarly, the share price, in the course of its fall, came to 250 and reached the hands of **P**.

If we take all the people (all the 16 fellows) from **A** to **P**, some of them gained while some others lost in that share business.

The total profit and total loss are equal. If we do calculations and see the source of the profit of those who have gained, it will be clear that the money of the losers goes to those who gained. It will be clear as to whose losses became whose profits.

Which means, while some shareholders gain, others shareholders lose their income in the share business.

There will not be any way whereby both sellers and buyers get profits. Loss of one fellow is the profit of another fellow. Or, profit of one fellow is loss of another fellow. The whole thing that happens in this business, is that one fellow snatches the surplus value, which another wants to grab.

This is 'gambling' that goes on in the name of 'business'! What happens in gambling is, one fellow snatches the money of the other. Exactly, the same thing happens here.

Just as any gambling has its own 'market language'; 'share gambling' too has its own market language. There will be many such terms as: bull, bear, book value, EPS, this ratio and that ratio. The experts preach as if everything is a great 'science'. In fact, if we understand the 'irrationality' in this, it is very easy to grasp the fact that the whole thing is nothing but a terminology of gambling.

## (2) Stock exchange is a gambling den:

After buying shares (whether they are new or old), there will not be even half of the buyers who retain their shares without selling them. Many people buy shares only to sell them again.

In the case of common products, the production goes into 'consumption' after one or two sales. But in the case of shares, the share that is engaged in the business will always be in the sale: sometimes at a

higher price in the beginning, later at a lower price, still lower price, again at a higher price—selling it again and again! There is no end to this!

The capitalist business feature of 'buying for the sake of selling' is present in its naked form without any mask in the share business.

All those who buy shares only for the sake of resale and not for 'dividends' are 'speculators'.

Not only brokers, but also clients of this type are share speculators.

Though speculators do not buy for the sake of the dividend, share price depends on the dividend.

When the broker sells a share, he would get the 'commission' irrespective of whether the shareholder gets a profit or incurs a loss. If he sells a share 10 times in a month, the broker gets a 'commission' all 10 times. Hence, brokers encourage frequent selling of selling of shares. If the buyers of shares retain their shares only for the sake of dividends, there will not be commissions as there were no sales.

Only after the 'joint stock company system' began, shares and share business began and thereby a 'band of brokers' that eats commissions also began.

This kind of business was not there in past societies.

In the share business, brokers themselves lend some money as loans to clients (by borrowing from the banks) and make clients buy shares so that they get commissions.

Suppose the broker invests 80 while the client invests 20 in order to buy a share at a price of 100. The share certificate will be in the custody of the broker.

Later they sell the share, let us say, when the share price becomes 120.

The client repays the loan to the broker and the broker repays the loan to the bank.

'Interest' for the bank! Commission for the 'broker'! 'Profit' for the client!

All fellows come out safely!

Jubilant joy all over!

But, what happens if the share price falls below the 'purchase price'? If it becomes 70?

Firstly, the broker will incur a loss. He will take out 10 from his own pocket and add it to the 70 that he got after paying the share and pays 80 in all to the bank (apart from the interest).

The client, not only loses his own 20, but has to pay 10 to the broker. He has to pay interest to the bank. On the whole the client will incur a loss of more than 30.

If the share price falls further? The client cannot repay his loan to the broker; the broker cannot repay the bank. All fellows, including the bank, will sink.

The main centre of this share business is the stock exchange and the industry does not get any 'new capital' from it. We have already seen earlier that new capital goes to the industry only if the fellow, who sold his old shares through stock exchange, buys new shares outside. But, one need not sell his old share in order to enable new capital to go into the 'industry'. If **A** does not sell his old share to **B**, **B'**s money would remain with **B** only. **B** himself buys new capital directly. That money can go into the industry through **B** only. For this to happen, B's money need not come to **A**. The process of entry of capital into the 'industry' does not cease even if there was no secondary market. The proof for this is the period of capitalism when there was no system of shares. During that period, capitalists did not stop to invest capital in industries. Even in the absence of secondary market, capital does not cease to go in search of companies for the sake of 'profit'.

The existence of the entire secondary market in the sphere of shares is mainly meant for enabling the band of brokers to eat commissions and speculators to play gambling of profits and loses.

The whole 'service to the country', which takes place in the stock exchanges, in their multi-storied gigantic buildings, with ultra-modern communication systems and by spending crores and crores of rupees snatched from the workers, is merely gambling and fraud.

Stock broker-companies and stock exchanges are the most useless

of the useless places found in society!

## (3) Frauds in the share business:

Just as every business would have its 'commercial frauds', share business too will have its frauds that are specific to it under such fashionable words as 'price rigging', 'inside trading' etc.

Just as they hoard 'commodities', create false scarcity and raise the prices, capitalists do the same thing in the share business.

Suppose a big broker begins to buy the shares of **A** company in the secondary market from the shareholders. Since shares get 'higher prices', many holders of those shares sell away their shares. The broker buys up many shares, say, 1 lac shares and hoards them for some time (by borrowing money on 'credit' from the bank for this purpose). In the meantime, he would make 'experts' write in the newspapers as follows: "Shares of company **A** are not at all available these days. They are equal to gold. Though gold is available as much as needed, these shares are not seen even to look at. It is a wise thing to buy these shares at any price without thinking twice. Later, one can very easily sell them at any (higher) price. Now, the demand for those shares is not small."

Then begins a stampede for those shares. Our fellow takes them out now, with a higher price! All the shares would be over by the evening. If he could raise the share price by 20, he would get a profit of 20 lacs on one lac shares! More profit if he could raise the price further! Even the buyers of those shares too could sell at a still higher price in that jubilant situation. Similarly, some more people too buy shares this moment and sell them away the next moment and earn profits. It is needless to say as to what would happen after some time.

It would be more wonderful if they can enact this drama at a further high level.

Now let us see another drama:

Let us consider 4 brokers called **A**, **B**, **C** and **D**. These brokers and their clients are the main characters in this drama of profits. (All these people are capitalists of bigger companies).

The drama starts like this:

**B** buys up all the shares (let them be of any company) that **A** sells at higher prices for the sake of his clients. Clients of **A** get good profits due to the sales by **A**.

Next, **C** buys up all the shares that **B** sells at much higher prices. Very good profits for the clients of **B**!

**D** buys up all the shares that **C** sells at much further prices. Profits, nothing but profits, to the clients of **C**!

**A**, **B** and **C** buy up again the shares that **D** sells. Profits, again and again!

All these 4 brokers buy up the shares at higher prices from one another and sell at higher prices to one another and dump profits abundantly on their clients.

All this creates an illusion to all those who are outside this drama. The illusion that at however much a high price they may buy, they can sell them at still higher prices! These outsiders are already observing the fellows who are buying shares at higher prices; selling them again at still higher prices; and earning piles of profit.

Then the entire capitalist population will go on hunting for those profits. They begin to buy all the available shares at any high price. Since every fellow is ready to buy at any price, the shares of those who bought last week would be sold out at higher prices by the end of this week. Profits pour in guaranteed manner.

Prices of shares keep rising.

It does not mean that a person will not be concerned with his share after selling it at a particular price and earn profit. After buying the share of a company for 100, selling it at 110 and earn profit, if he buys the share of the same company after a week for 120 and sell it for 130, he would again get profit! If he buys the same share again for 140 and sells it for 150, he would again get the profit!

Since every fellow is ready to buy at higher prices, all this goes on very smoothly.

If the price of a share, whose actual value is 10, becomes 500 (50 times more), the stock exchange experts grasp the fact that this price

rise is taking place in the intoxicated mood of 'speculation'. But, they don't speak out the actual truth. They can declare thus, 'don't buy shares with so high a price. There must be some fraud in it." But, they don't declare this. The Stock Exchange gets a commission on every bargain. Hence, it has its own profit!

In case a 'noble' person warns thus, "It is foolishness to buy shares with so big a price because, you will lose a lot later!", still the capitalist masses, intoxicated by the profits, remain deaf to all those sermons on morality.

The title of this drama that raises share prices according to a scheme is 'price rigging'! While this rigging is going on for some weeks and months, the initiators of this 'drama' sell away lots of shares, which they readily purchased before, grab unimaginable profits and thereafter they keep aloof from that drama for some time.

On the whole, the intellectuals who started the 'drama' would earn wonderful profits if everything goes smoothly.

Not only they, even those who are not in that drama too, would be able in the speed of that stream, to sell their shares at a price higher than the 'purchase price' and dump profits.

Then begins the climax scene.

Lots of shares accumulate in the hands of the shareholders, who are not in the drama and who bought those shares at exorbitant rates. The prices of those shares touch the sky in an unimaginable scale.

If the price of a share, whose actual value is 10, rises to 900 (90 times more) after passing through many hands, **M**, who bought that share for that price strongly believes that he would sell it at a further higher price (that he would do just as others did in the past).

As this 'gambling' should stop somewhere, let us say, it stopped 'here'. 'Here' where there is no fellow who can buy that share for a much higher price than before.

The business bravery of **M**, who bought the share of 10 for 900, becomes doubtful. This brave person will wait and wait and wait for another brave person and become panicky. After realising that there is no one except himself who is so brave he begins to burn with grief. But after

realising that the share prices will not rise by burning with grief, **M**, finally, dares to sell away the share at a low price. We cannot imagine as to how low that price is and how much he loses. We need not shed tears for **M** thus, "Alas, **M** incurred loss!" If M's bravery becomes fruitful and he gets a profit instead of a loss, then M's joy should inevitably become the sorrow of another fellow. That should happen somewhere or the other. Either one or ten should incur loss.

The wise person who bought the share from **M** at a low price cannot sell at a high price. He has to get rid of it by selling it at a low price.

Until something happens again, share price keeps falling.

Brokers should get 'masses of money' whenever they need in order to carry on frauds like 'price rigging'. To buy 1 lac shares for a higher price and 'store' them, they need many lacs of money. To buy 10 lacs of shares, they need some crores of money.

Only banks provide this money to the brokers.

Banks give 'credit' to the 'share business' just as they lend 'credit' to other kinds of business. To put it correctly, they lend credit to share business only. Since share business requires 'urgent' credit, there is a scope to charge a high interest rate on such credit. Since banks also do the 'business', the capital engaged in money-lending business run with more enthusiasm toward high interest than low interest, isn't it? Hence, banks make more capital available to share brokers. Those brokers give loans to their clients with that money and make them buy shares.

A large part of the credit that the banks lend goes to 'exchange-bill brokers' and 'share brokers'.

**Another example related to 'price-rigging':**

Suppose the price of the share of a given company is falling. Due to this, the 'share capital' functioning in that company will not decrease. But, since there may arise a problem of non-availability of new capital for that company, the board of directors of that company explores the means to stop the fall of their share price and even to raise it if possible.

Some brokers enter the scene and begin to buy the shares of that company at higher prices. The same company 'secretly' provides the

money necessary to buy like that. It is illegal if the company itself raises its share prices. Hence that secrecy. Those who are anxious to sell away the shares of that company stop their efforts by seeing share price rising. New people too come forward to buy that share. In this manner, the falling price of that share stands up for some time. They can think of the future later!

When they want to raise the prices artificially, the brokers sell their prices in a dramatic manner to their relatives and friends at a higher price. As soon as it appears that the 'price' rose and the demand for those shares begin, the holders of those shares sell them again at higher prices and make 'profits'.

To reduce income tax, there is a means of selling shares at low prices. There is a 'danger' of paying more percentage of taxes beyond a 'certain stage.' One can avoid that danger if he shows that the income has not reached that level. One way to do so is to sell shares at low prices. But, selling at lower prices is not to the outsiders; but it is for the family members only. Since a wife and a husband have their own individual accounts of income, let us suppose that the husband sells off his shares to his wife at a low price. Husband's income decreases and hence tax also decreases. About shares? They will not go anywhere. He can again sell them later with another technique. But, his income will rise then. It may be the account of another year. Or, it may be something else. It is a different matter.

**'Inside trading'** means collecting prior information regarding the changes that will take place in future in the company and conduct share business accordingly. Suppose the company **A** is going to incur some 'loss'. Before the information comes out, he can save himself from the future 'loss'. Or, if the company was going to get some 'profit' and if the broker buys up those shares in advance, he can earn a lot of profit when the share price rises after that expected change.

All the changes that take place in the future would be very 'confidential'. But company directors, managers, office employees and banks that look after money matters of the company know these confidential matters. Company brokers too get this information. In accordance with that information, the brokers 'profit' in the business. Those who convey that inside information share in the 'profit'.

Banks that deal with the money matters of the companies too will have prior information. Hence, they too buy or sell the share of that company easily and secure timely gains.

## (4) Some other issues:

Directors of a company have to have some shares in that company always. Which means, their capital too should be there in the company. It is not possible to run the company on 'public' capital without their own capital. When they start the company all the promoters would have the required number of shares and many more shares as well. But, gradually, after the share price rises very high, promoters sell away their 'quota' of shares to a large extent and begin to earn profits. As they establish themselves as company directors by then itself, they are confident that they would continue to be directors even if they don't have the required number of shares as per the 'quota'. The 'general body' does not attempt to remove them. Sale of 'quota' shares by the directors and purchase by others are contrary to the law. The law will help the members of the general body if they oppose the directors; but if the general body itself is silent law will not do any thing. Directors buy shares of another company with the money that they get after selling their shares. Gradually, they secure a place even there. All these kinds of illegal activities will go on taking place.

When a private company releases shares, all those shares don't get sold without difficulty. Any number of advertisements a company may give, each company that is involved in the 'competition' of selling shares has to make its own secret attempts to sell its shares since all companies give such advertisements. One such attempt is to collude with the officials of the State-owned enterprises. Which means, to make the officials buy its shares. Suppose there is a 'rule' that State-owned enterprises and State-controlled banks should not invest capital in the private organisations, and even if they invest, such an investment should not exceed a given limit. But, many officials do not observe any rule. Their personal gain itself is their own rule. They are so defiant since enquiry of any sort would be conducted against them only once in a thousand years. They buy the shares of private companies in a clandestine manner, against the rules and collaborate with those companies. If they sell away those shares when those shares acquire demand, the fact that they violated the rule

does not come out. They show all the money-related accounts as they want. All the techniques of accounting are meant to show accounts like that. The so-called accounting and government auditing are all big illusions.

Suppose there is a rule that State-owned enterprises can buy the shares of private companies. While buying those shares in the secondary market, the officials of the State-run enterprises may buy shares at higher prices in such a way that profits of the brokers of their choice will be more. Since officials spend only the State funds, they are able to raise the prices enthusiastically. If they incur a loss from those shares, they would be able to show losses daringly since profits and losses in the business are natural. Thus, if the State officials help private companies to the possible extent, they would become directors or something else to those private companies in future—either when they retire or before that.

Private companies buy products from the State-owned companies and sell their products to the State-owned companies, isn't it? All these transactions always take place at such prices which are always favourable to the private companies. Which means, somewhat low prices while private company buys and high prices while it sells its own product! All this takes place with the cooperation of the officials of the State-owned companies. In return for this cooperation, those officers might get the shares of that private company at very low prices.

Sometimes even some judges may get shares very cheaply from the private companies since some 'case' connected with that company might be going on in some court. It might be a property dispute case or a case connected with competition with other companies. If they throw shares worth 10 lacs, they get enough of 'success' in that case!

A 'beautiful' form of fraud in share business:

Selling shares in the name of some non-existing bogus company and snatching away money. The buyers of the shares would safely get their share certificates. But they will not get dividends however long they wait. If an enquiry begins when shareholders are alarmed, it comes to light that such a company is non-existent! This is too wonderful!

There might be many more kinds of frauds in share-business: as many kinds of frauds as capitalistic chicanery!

In Marx's words:

> "Since property here exists in the form of stock, its movement and transfer become purely a result of gambling on the stock exchange where the little fish are swallowed by the sharks and the lambs by the stock-exchange wolves". (Capital, vol.3, p.440)

Marx is comparing small size shareholders with 'small fish' and 'lambs'. But shareholders, who dream of 'profit', are not 'lambs'. If they grow a little, they too become sharks and wolves. It means that when compared with those who commit frauds, those who do not have an opportunity to commit frauds are like lambs!

Occasionally, the government conducts an enquiry into these frauds. After enquiries, they submit reports that 'there are many corrupt practices in stock-exchange'

Corrupt practices include evading taxes; resorting to illegal means to evade taxes by brokers, 'misuse' of stock exchange funds by the officials; allotment of shares at very low prices to government officials and judges by some companies and some brokers; gathering inside information of companies and doing business accordingly and such other practices!

If these alone are 'corrupt practices', they take place not only through stock brokers and take place in all the spheres of capitalist society. All fellows evade taxes. All fellows take bribes. All fellows misuse funds. All fellows run after profits. Therefore, 'corruption' is not limited to stock exchanges only. It is a moral deed to declare entire society as an 'immoral society'.

Since shareholders face 'hardships', unaware of the right way in the thick jungle called 'share business', 'mutual fund companies' emerged to lend a helping hand to such victims.

Just as banks undertake money-lending business on behalf of the depositors, mutual fund companies undertake share business on behalf of the shareholders. Capitalists, who cannot do share business either on their own or through brokers, have to buy shares in a 'mutual fund company'. That is what they have to do. That company, with the money of the shareholders, buys shares from various kinds of other companies, sells them, does business with knack, earns profits and gets 'dividends'

to the shareholders. Instead of shareholders themselves facing hardships, the mutual fund company itself serves its shareholders and earns profits.

## 10) Bonds and debentures

We can call these 2 kinds together 'bonds'. These are 'money credit certificates'. These certificates contain in them such details as interest rate and credit period of those (individuals, companies and banks as well) who buy those certificates. That money goes to the company. Buying those certificates is to give credit to that company. The company pays interest on that credit and pays the principal amount as well by the due date.

The interest that the company gives would invariably be somewhat higher than that of the bank rate. (If the interest rate of the company is equal to that of the bank rate, the moneylenders keep their money in banks only and do not give to companies. Therefore, company rate would be somewhat higher. But, it would not be too high).

Some companies lure the buyers of the bonds with certain incentives. They declare that they would convert those 'bonds' into 'shares'. Those who wanted to buy the shares of that company first buy the bonds.

Bonds will not have any connection with the profit and loss of the company. The income on the bonds will not change whether the company gets less profit or more profit. It depends on the interest rate of the bond. Hence, income on the bond would always be uniform.

'Secondary market' exists in the case of bonds as well. Which means, people sell bonds again and again (both in the stock exchange and outside as well). Since interest rate of the bond is higher than that of the bank outside (only when such is the case), there is a scope for the bond price to rise. But that price will not rise much higher than the 'actual value' since interest rate of the bond is somewhat higher than the interest rate of the bank.

The interest that bank gives is 12%. The interest on the bond is, let us say, 14%. The difference is only 2%.

Whereas in the case of shares, the interest that bank gives is 12% while the dividend rate on a 'share' may be 30% or even 40%. Thus, the market prices of the shares would be certain times higher than the actual

value. But, there will not be a scope for the market price to be so high in the case of bonds. Bond price rises only to a little extent. Therefore, there will not be any scope to sell bonds many a time at higher prices.

As the interest on 'bonds' is stable, the bond prices may rise if the interest rate of the bank changes.

'Bonds' too are 'securities'. They are certificates that stand as 'security' for the invested capital.

## (1) Government bonds:

The State and the State-run enterprises as well release 'bonds' (securities) under various names for the sake of 'money credit'.

The central government, central government companies, banks, State governments and other government organisations release 'bonds' for the sake of 'credit'.

Government bonds exist under many names treasury bills, treasury notes, savings certificates, railway bonds, steel bonds, power bonds, postal bonds and many such names. Certain kinds of bonds exist under different names such as 'schemes' and 'leaders'.

While the term of the bonds like 'treasury bills' is less than one year, the term of certain kinds of government bonds can be up to 20 years or more than that. Interest rates would be different depending upon the term and the amount of credit.

Buying these bonds itself is lending credit to the government and government companies.

Interest rate of government bonds would be somewhat lower than that of private bonds.

Though the interest rate of the government is lower, all the financial institutions of the government are obliged to 'lend' some percentage of their deposit-money. This means the banks, insurance companies, provident fund companies, other financial institutions of the government and even certain kinds of private banks too are obliged to purchase government bonds. Since this is a legal obligation, all the financial institutions purchase government bonds.

They get some percentage of exemption in 'income tax' if they buy

certain kinds of government bonds. Hence, the private companies and individuals as well who are expected to pay income tax purchase government bonds.

Those who are afraid to lend to private companies also purchase government bonds, though the interest rate of the government is low.

Thus the government borrows credit from many sources in the country. (Let us suppose that all the State-run enterprises are also part of the government). All this would be 'native credit'.

Besides this, the government also borrows 'foreign loans'. (We have seen earlier about 'foreign debt').

All these domestic and foreign loans together constitute some hundreds and thousands of crores of debts of the government.

The government has to pay interest on all these loans. It has to pay every year those loans that mature.

The government can pay the interest on the loans that it borrowed for 'productive' needs from the general 'profit' that it gets through that capital. It has to pay the 'principal' (and 'interest' as well) that it borrowed for 'unproductive' needs from the income received through 'taxes'.

If some loans are still pending, the government pays them by taking 'new loans'.

The government sells its bonds first through State banks, post offices and other recognised brokers.

The buyers of the bonds may buy them either directly or through brokers.

There would be a government organisation specifically for the sake of secondary market of government bonds. Big stock exchanges too sell government bonds.

Certain kinds of bonds would have a clear interest rate.

But certain kinds of bonds would be different as follows:

The term of the bond is 6 years. Its value at the time of its maturity is 1,000. People have to buy it first for 500. Which means, if someone invests 500 capital, he would get another 500 after 6 years. We can calculate what the rate of interest would be.

If the buyer of the bond needs money after some time, he can mortgage it to the bank and release it later. Or, he may even sell it away fully.

If a person sells the bond two years after he purchased it, its price would be: '500 principal + 2 years' interest on the principal amount = Bond price'. Let us say its price is 650. The person who bought that bond at that price keeps it with him for 4 years, the bond would mature by then and he gets 1,000. Thus, selling of bonds before the date of maturity and retention by the buyers until the date of maturity keep going.

There would be a system of 'auction' in the case of certain kinds of bonds. For example, let us say the term of a bond is 1 year. The value of the bond at the time of maturity is 1,000. The initial price at which one has to buy that bond is fixed in the auction.

This auction takes place by way of submitting tenders. The persons, who submit 'tenders', should indicate at what price they buy a bond that fetches a 'thousand' in a year. If one among the buyers quotes 800, another fellow may quote 810. Yet another fellow may quote 850. Whoever quotes high in the tender, he would get that lot of bonds. Getting 1,000 from a bond that costs 850 implies 150 interest on 850 per year. If he is able to buy that bond for 800 instead of 850, then 200 interest would come on 800. If he were able to buy bonds in auction at a somewhat lower price he would get a higher interest rate and if he buys at a somewhat higher price, he would get a lower interest.

If one has to sell a bond 3 months after buying the bond, the bond price would be 'purchase price + 3 months' interest = Bond price'.

Whenever it sells bonds, the government sells lots of bonds that cost some hundreds of crores.

A bank, let us say, has purchased bonds with 200 crores. Which means, it secured the biggest order that enables it to lend so much money as credit! Since it is the credit given to the government, there would be no question whether the debt is recoverable or not. Though interest is low, the amount of interest would be more since more money is lent as credit.

We have seen that each State bank (also Life Insurance Corporations and such other State-controlled financial institutions) have to obligatorily

buy government bonds with a portion of their deposits. Deposits in the bank vary frequently. Sometimes they decrease; sometimes increase. Accordingly, the bank has to change the amount of bonds. If the deposit in the bank increases, it has to buy again government bonds with some portion of those increased deposits. If a bank gets 1 lac as new deposit, the bank would buy government bonds with some part of the new deposits. Or, when deposits decrease, it sells some bonds. Or, if some amount of deposits lie idle with it, the bank buys whatever bonds are available because it would get some interest if it buys any bonds.

The banking business (and the business of other financial institutions as well) is mainly money-lending business). The bank does this business with the money of others. Since it has to pay interest on the 'deposits', it should keep some part of deposited money idle but give more loans and earn more interest. On the other hand, it has to keep money ready so that it can pay back the money of the depositors immediately whenever they ask. It can fulfil these 2 obligations by investing in capital on government bonds. If it buys those bonds, it gets 'interest'. It is also possible to rediscount and reconvert those bonds into money in other banks easily. Hence banks equate purchase of government bonds with the money reserves.

Moreover, banks give emergency loans to bill brokers and stockbrokers. Lending such loans and repayment of such loans happens within hours (within one week). As these loans come back as soon as banks ask for them, they are called 'call money'. Banks get a high interest rate on such loans. Due to these loans, it is possible to earn interest and it is also possible to get money at once whenever necessary. Therefore, banks lend such loans frequently.

## (2) Securities:

Shares, bonds, debentures etc., are 'securities'. These are certificates that stand as 'security' for invested capitals.

'Exchange Bills' are also a kind of securities.

When we speak of 'securities', they may be shares, bonds or bills. They may be of government companies or of private companies. They may be native certificates or foreign certificate. All those certificates are securities.

Banks and other finance companies buy these securities; sell them before the date of maturity depending upon their money needs and other business needs; earn whatever interest they get until it is sold and buy new securities again whenever needed. Thus, they carry on their money-lending business.

Brokers will gain a lot through this business.

**Collusion of banks with stock-brokers:**

We have seen before the collusion of bank officials with bill-brokers. Now let us see their collusion with the 'stock-brokers'.

We have seen that the stock brokers carry on such activities as buying and selling of securities like shares and bonds for banks (and other financial institutions as well). In these transactions, brokers can use the bank's money freely for their own business. This is how they can use.

Suppose a bank gave some money to a broker to buy some security. The broker runs his business with that money for some time. Which means, he buys and sells shares for his own sake and then buys shares for the sake of bank officials as well without any hurry. This happens only if the bank officials cooperate in this activity. Do we need to say specifically as to why they cooperate? They may get some benefit in some form out of it for their own. They may get shares of a particular company of their choice at a price lower than the market price. Or, some of their family members may get higher jobs in some foreign banks or big companies. Or, they may even get directly a bag of some money. Or, some thing else!

Let us say those two capitalists **A** and **B** have to buy commodities from each other. **B** buys commodities of **A** at a given price now itself. **A** buys B's commodities at a given price after 3 months. Whether the price of **B**'s commodities rises or falls further after 3 months, **B** has to give his commodities as per the price fixed now. Such an agreement on prices is called 'Ready Forward Dealing'.

These transactions may take place between the bank and the broker truly or falsely.

If they take place truly: Broker now buys for the bank some shares at a given price. Bank gives away that money to the sellers of those shares. The prior understanding is that the same broker has to buy back the same shares from the bank at a somewhat higher price. The broker buys those

shares accordingly. The bank would get back its money along with some profit. Broker would get commission.

If this transaction takes place falsely: Brokers write down as if they bought some securities for the bank and the bank received them. In fact, the broker would not buy anything for the bank and those securities would not be in the bank. But bank gives away money to the broker. With that money, the broker carries on his own business for some period of time (say 3 months). If an inspection takes place in the bank, the fraud of the bank officials may come out. But such an inspection does not take place. Since inspecting officials too take bribes, truth will not come out. Later, after 3 months, the broker brings money to the bank and says thus, 'As per the agreement that we entered into 3 months back, I will now buy those securities at a higher price'. Again they write as if that the bank sold away those securities at a higher price, that those securities left the bank and that the money came back. Broker gives away the money to the bank.

If we see this from the side of the bank: it appears as though the bank bought securities at a low price, sold then at a somewhat higher price and earned some profit through this transaction.

If we see from the side of the broker: he pays a somewhat more money to the bank than the amount that he received from it. This simply amounts to the fact that he paid 'interest' on the money that he borrowed from the bank. There is no loss to the broker. (Moreover, the broker gets 'commission' both times).

Then, why doesn't the broker take that money as a 'loan' from the bank? Why does he resort to such short cuts? He does not borrow it as loan because there will be many rules which say that the bank should not lend more loans to the stock brokers and even if they lend, they should lend loans on certain conditions. Moreover, borrowers, in order to borrow a loan, show property as security. Brokers sometimes borrow loans as well. It does not mean that brokers never borrow loans. But, in order to borrow loans every time, there would be many conditions. Hence, it is easy to take money from the bank, without all those formalities, on the ground that they took money only to buy securities for the bank. If the brokers truly buy securities to the bank, they have to pay that money for the other side. It is not possible for the broker to use it. Only if the broker does not buy securities, he can use that money for some months.

The broker neither sells securities to the bank nor buys them again later; nothing will happen. Without doing anything, they show on paper as if the bank gave money to the broker in return for the securities that the broker gave it. Which means, bank gives away money to the broker even without keeping any securities with it!

Suppose the broker, who took away money, would incur terrible loss in his business outside. He would not be able to pay money to the bank. Bank would not have securities with it. What will happen then?

Nothing will happen. It would be enough if they write down that the broker bought securities from the bank and paid back money; that he bought another kind of securities for the bank and took money again. The inspection 'whether these new securities are with the bank or not' will any way not take place. The broker gets some more months' time to pay new money to the bank. By then, the broker may do business again and pay off that money. If he still were not in a position to pay, there would any way be many kinds of ideas. Or, the bank would sink if no idea works. That's all!

Another example: suppose the broker borrows 5 or 10 lacs 'credit' from the bank. He would deposit some securities as surety. They are 'forged' certificates! Which means that these certificates would be of no use if the broker does not repay that loan! The bank official may accept them, knowing that they are 'forged' certificates. As the broker takes those certificates back when he repays that loan, the actual fact will not come out and goes unnoticed by the public. The bank official is care free that there will not be any inspection of when those forged certificates. If inspection takes place at such a time, that 'corrupt' official can defend himself that he was unable to notice them as forged certificates and hence such a mistake. Yet, why can't that inspecting official too be a corrupt fellow? Then there will not be any problem, isn't it?

Another example. Suppose the broker had realised the possibility of a fall in the prices of the shares that he has with him. He would immediately sell away those bundles of shares to a bank. To carry on that bargain, cooperation of the bank officer is a must. Then the broker can sell away the shares to the bank and come out safely. Shares will fall on banks. Thereafter whatever may happen, it is the banks that face profit or loss!

Banks always keep buying and selling securities. It is possible to show in the accounts that they bought shares at a higher price even though they bought at a lower price; and they sold shares at a lower price even though they sold at a higher price. Brokers need the cooperation of officials in this clandestine activity. The portions that are camouflaged go to officers and brokers who demonstrated their tact!

Another example: suppose there are some rules that forbid the State Bank or Life Insurance Corporations or State finance corporation from giving loans to private companies or that even if they lend that credit, it should not exceed a certain amount and so on. Then, a foreign bank borrows credit from a State finance corporation called **A** and gives it to private companies. The State financial corporation did not give this credit to private companies. Hence, its 'crime' is not revealed. But, what has happened on the whole is that the private companies received credit from a State financial corporation!

Another example: one government corporation can lend credit directly to another government corporation. But, let us say, a foreign bank borrowed a loan of 50 crores from a government finance corporation called **A** and gave it to another government corporation called **B**. Due to this, the foreign bank earns some portion out of the interest on that loan. Brokers and officials, who conducted the whole thing, receive commissions and bribes respectively.

The clandestine activities may take place in any number of ways: between banks and brokers; between banks and private companies and so on. The entire essence of the matter is the same. It enables brokers and private companies to use banks' money in a clandestine manner.

High level brokers, company directors and bank officials together play these dramas.

In Marx's words:

> "With the development of the credit system; great concentrated money-markets are created, such as London, which are at the same time the main seats of trade in this paper. The bankers place huge quantities of the public's money-capital at the disposal of this unsavoury crowd of dealers, and thus this brood of gamblers multiplies". (Capital, vol.3, pp.511-12).

## 11) Fresh distribution of old and new surplus values

If we look at the credit period when the money capitalist used to lend credit to the productive capitalist, the interest that comes from the commodity + the amount of profit of the enterprise, used to be distributed between those two fellows.

But, after the beginning of the joint stock company and share business, many characters enter into this drama of credit.

1) Bank depositor
2) Bank
3) Shares (or, bonds)
4) The company that releases shares (or bonds)
5) Client that buys shares
6) Share-broker
7) Stock Exchange—so many fellows come into the picture.

Of these fellows, who enjoys 'old surplus value' and 'who enjoys new surplus value' depends on a given context.

(1) Those who retain shares or bonds without selling them again eat dividends and interests. This is new surplus value.

(2) Speculators who do share business enjoys profits and losses. This is the old surplus value.

(3) Banks lend credit to brokers and clients and get interests. If the borrowers pay this interest from the profit or loss of the share business it would be the old surplus value.

If the borrowers pay it from the 'dividend', it is new surplus value.

If they pay it from the 'interest' that they get through 'bonds', it would be the new surplus value.

(4) Brokers get 'commission'. Even these commissions would be either old surplus value or new surplus value depending upon the source from which these commissions are paid.

(5) The 'promoters' profit', which a company earns through the sale of prices at premium, would be old surplus value.

The promoters' profit earned through distribution of dividends in a reduced quantity would be new surplus value.

The interest that a company pays on 'loans', taxes that it pays the portion that it adds to the 'reserve fund' constitute 'new surplus value'.

(6) The interest on 'bonds' that the government pays from out of 'taxes' would be new surplus value.

(7) The interest on the bonds that the State-run productive companies and private productive companies pay from out of 'general profit' constitutes new surplus value.

(8) Fees that the 'stock exchange' collects from the companies while 'listing' would be the old surplus value.

Fees that the stock exchange collects from the companies would be new surplus value. Fees that the stock exchange collects from the brokers while giving them 'membership' are old surplus value.

Portions that the stock exchange takes from the regular commissions of the brokers constitute sometimes old surplus value, some times new surplus value.

Let us see these things by way of a table.

**Fresh distribution of old and new surplus value**

| Who? | What did they do? | Under what name does the income exist? | What in fact is that income? |
|---|---|---|---|
| 1) Shareholders | They bought shares and bonds and kept for themselves. | Dividends and Interests. | New surplus value. |
| 2) Speculators who do share business | They bought and sold shares. | Business profit or loss. | Old surplus value. |
| 3) Bank | It lent loans to the borrowers and clients who | Interest. | Sometimes old surplus value and some times |

→

| | | | |
|---|---|---|---|
| → | buy shares and bonds. | | new surplus value. |
| 4) Broker | He bought shares for the clients. | Commission. | Sometimes old surplus value, sometimes new surplus value. |
| 5) Company promoters | They sold shares with 'premium'. | Promoters' profit. | Old surplus value. |
| | They reduced 'dividends' and distributed them and received premium. | Promoters' profit. | New surplus value. |
| 6) Buyers of bonds | They bought government bonds. | Interest (paid out of taxes). | New surplus value. |
| | They bought bonds of State-run productive companies. | Interest (out of taxes). | New surplus value. |
| | They bought bonds of State-run unproductive companies. | Interest (out of 'general' profit). | New surplus value. |
| 7) Stock exchange | It 'listed' the company. | Fee. | Old surplus value. |
| | It gave license to the broker. | Fee. | Old surplus value. |
| | It does share business. | Part of 'commission' | Some time old surplus value; |

→

| | | | |
|---|---|---|---|
| → | through brokers | | sometimes new surplus value. |
| 8) Workers (male or female) | They bought shares. | Dividend. | New surplus value. |

In this manner, the 'capitalist population' creates various kinds of business and snatches old and new surplus values from each other!

## 12) How does share price influence the 'supply and demand' of money capital?

We have seen earlier that 'real capital and fictitious capital are two different things' and 'the money-bearing capital would get as much profit as the share price increases'. Now this is another aspect of the same issue.

Suppose, the actual value of a share is 10 and the price is 40.

Suppose the bank gave 40 loan to the buyer of this share. Does it mean that the bank gave this 40 credit for the purpose of 'production process'? No!

It means that the bank gave 10 out of 40 credit toward the 'actual value' of the share and 30 toward 'speculation'. Which means, bank gave only 10 not 40 for the sake of 'production process'.

If we consider the entire credit that the banks give for the sake of share business of the society as a whole, a large part of it would be for the sake of 'speculation' instead of 'production process'.

Purchase of shares appears as if it is providing capital for the industry and as if the entire credit, which the banks lend to the share business, is functioning for the sake of industry. In fact, only some part of that credit goes to the 'industry' as capital. To the extent of the 'actual value' of the share! The amount over and above it circulates among speculators from one another. This is an 'artificial capital' that merely exists in the 'money calculations' without functioning as 'real capital'.

During the period when the systems of joint-stock companies and share business were non-existent, the capital that was functioning in the productive sphere and the capital that was borrowed for that purpose would be equal. After the system of shares began, 'money capital' increases.

Let us suppose that a productive process requires 100 capital. That capitalist does not have money. He borrowed '100 capital' on credit. Here the actual capital and credit capital are equal. The productive capital and the money capital that is necessary would be equal irrespective of whether it is borrowed or not.

If the actual value of the share and the price were equal, even then the productive capital and money capital would be equal. This is how it would be equal:

**A** has borrowed a loan and bought a share at its 'actual value' (for 100).

**B** too borrowed a loan and bought a share from **A** for 100 only.

In this transaction, A's share has gone to **B**.

A's loan of 100 too has gone to **B**. That's all!

A need for more 'money capital' did not arise.

This transaction will not change the 'supply and demand of money capital' compared to the past. The earlier situation alone continues.

But the need for money capital too has to rise if the share price rises.

The actual value of the share is 100. **A** borrowed a loan and bought it.

Later, he sold it to **B** for 180.

**B** too borrowed a loan of 180 and bought the share.

**A** paid up 100 loan to the bank.

Though the bank got back from **A** the 100 loan, a loan of 180 went out for the sake of **B**. Which means, bank got an opportunity to lend a further loan of 80 for the sake of the same share. The demand for 'money capital' rose.

If **B** sells that share at 200, that demand would further rises.

When we see society as a whole, the share business often influences the supply and demand of loanable money capital.

There may be many more factors that influence the 'supply and demand of money'. One very important factor is the share business (also the business in other securities).

## 13) What if workers too buy shares?

Some workers among those who perform 'intellectual labour' would be in a position to buy shares and bonds. If workers too buy securities, it amounts to investing 'capital' too. Such workers too receive dividends on 'shares' and 'interest' on 'bonds'. If they do 'share business' they receive profit and loss.

It means that such a worker, while losing a large portion of his labour at his work place, is extracting a portion of the labour of other workers, through such means as 'dividends'! This is a short cut! A wrong path! This is not what workers ought to do.

Suppose each and every worker in the 'working class' is buying shares and earning dividends from them. Even if it happens so, this class will not get back the entire 'surplus value' that it loses. It is because that the capitalist class too buys 'shares'. The dividends, interest, rents and everything that the capitalist class gets will have to go out of 'surplus value' that the working class gives. Thus though the workers buy shares, the surplus value that the workers get back through dividends is very little since the capitalist class too is able to buy shares and get dividends! It means that the capitalist class itself is getting a large part of 'surplus value'!

If workers get dividends, that is part of their labour only!

If capitalists get dividends, that does not represent their labour; they are part of workers' labour.

There is so much difference in the way different classes get dividends.

Hence it does not mean that workers are getting back the entire fruits of their labour and exploitation has ceased to exist simply because workers too are getting dividends.

However much developed a capitalist country may be, there would be only four or five out of hundred workers who buy shares. At the most there would be 10. That too among those sections of workers who do mental labour. What about the remaining 90% of people? None of the workers who do manual labour will invest capital in the shares. They will not be in a position to get 'dividends'.

Seeing these four or five out of hundred workers who buy shares, the capitalist economists argue that the workers too are investing capital in companies, that the workers too are turning into capitalists and that the distinction between capitalists and workers is vanishing. The 'funny' thing in this argument is that workers who became capitalists after buying shares will be doing 'labour' somewhere or the other! They receive dividends while doing labour.

But, the capitalists who buy shares will never do labour at any place. Staying at different and remote places, they receive 'dividends' without doing any labour!

This is what the capitalist economists meant by the elimination of distinction between workers and capitalists.

Even if the fellow who says these things is crazy, the fellow who hears him should have some sense!

If the workers are senseless fools, the fellows who are addicted to exploitation can talk any number of theories. They can put forward any number of haphazard arguments.

Another argument of capitalist economists:

The entire work of 'management' in a joint stock company takes place through managers, isn't it? 'Managers' work for 'wages', isn't it? All those who take 'salaries' are workers, isn't it? Hence, the beginning of joint-stock company implies the entire management work came into the hands of the workers. It amounts to the end of hegemony of the capitalists—This is the argument!

The fact that the capitalist economists and intellectuals are able to give 'very cheap arguments' means that workers are not in a position to counter cheap arguments! People who give such arguments are able to do so, as they are sure that the hearers are stupid.

Are all those who work for 'wages' workers? The company directors too take 'wages'. Are they too workers?

Those who do labour as well as those who do not labour receive wages.

'Wages' would be able too little or many hundred times higher.

Therefore, all those who take 'wages' are not workers.

Only those who do 'labour' and lose some portion of their labour are workers.

Hence, directors and managers are not workers.

All the managers would have big bundles of shares. It means that they are first 'capitalists' and only then they are 'managers'. They don't lose any portion from their 'labour'. Managers are also part of a class, which extracts the labour of the workers ('surplus value').

What is the purpose of the work of management that the managers do? To secure profits for 'capital'! Managers are subservient to the 'board of directors'. They manage the companies following a system of earning profits.

The character of work of management depends on the character of 'ownership' of 'means of production'. If the ownership is connected with the private property, work of management too would be in accordance with it; and it will not have the working class character. Therefore, management by the managers who take wages is not working class management.

Transformation of a single capitalist's company into that of many capitalists does not amount to transformation into a 'working class organisation'. It is still a capitalist organisation. It is still capitalistic ownership.

Hence, joint stock company itself is not a means of emancipation of the working class.

**The path of emancipation of the working class is to compel the whole band of fellows who evade 'labour'—the directors and managers of the joint stock Company, the shareholders that receive dividend and interest by staying at different and remote places, the stock-brokers and stock-exchange officials—to do labour. What workers should not do is buying shares, running after profits and to get back by false means a piece of the mass of labour that they lose for the sake of the capitalist class. What workers should not do is learning the gambling, chicanery and business frauds of the exploiters.**

**What if workers deposit their money in the banks?**

It is essential to keep 'income' safe. When that income is in the form of money and if workers want to keep it safe, it is inevitable to save in the banks. There will not be any other way. It is necessary for the workers to save their money for 'safety' as well as for 'future planning' and not with a view to earning 'interest'.

In fact there would be very few people among the workers who have as much money as they can save in the banks. That too, among such sections of workers who do mental labour. Among the workers who do manual labour, there will not be a person one in a hundred who saves his money in the bank.

## 14) Natural economy, Money economy and Credit economy

If we give another name 'economy' to 'mode of production', we may classify the economies that have been in existence since the period of 'barter' to the period of 'capitalism', into two principal categories as follows:

'Natural economy', and

'Money economy'.

Under 'natural economy', production does not take place for the sake of 'sale'. It does not take place with a view to selling. It takes place for the sake of 'natural wants'. There will not be any hurdle to use it.

The family of 'independent producers' produces some products through the land. It produces some products by means of handicrafts. It will not produce any product with a view to 'selling'. It exchanges a certain portion of its produce, which it produced for the sake of its needs. Exchanges take place on a very small scale. (The commodities that it gets through these exchanges too are for its needs only).

The entire period of 'barter' comes under 'natural economy'.

Slave and feudal societies also come under 'natural economy'. Production under these societies also does not take place with a view to selling. Here also, there will not be any hurdle to use the product soon

after its production. Though 'exploitation' exists in these societies, the point of our discussion here is not whether there is 'exploitation' or not. The point here is whether production takes place for personal needs or for sale. Therefore, these societies too come under 'natural economy' even if there were 'exploitation' and some sales in these societies.

Under 'money economy', the entire production takes place for the sake of 'sales' only. Though exchanges by means of 'money' began much before 'capitalism', sales on a large scale began only under capitalism. We may describe the beginning of capitalism as 'money capitalism'.

Its important feature is sale of 'labour power' (conversion of 'labour power' also into 'commodity').

Expansion of 'trade' is its another important feature.

Though products are ready and though there is a need for them, it is not possible to use the products under this system. It is possible to use only when they are 'sold'.

Every capitalist has to sell all his commodities and buy all that is necessary for him.

Every worker has to sell his 'labour power' and buy necessaries of life.

Every product has to go through the scene of 'sales'!

Therefore, all the relations here are 'money relations'.

And now, let us see, 'credit economy'.

'Credit economy' is simply another form of 'money economy'.

'Credit economy' began in order to avoid the problems of sales that arise in the 'money economy'. But, 'credit system' also does not at all solve the problem of sales since 'credit' is another form of 'money'. It can merely 'push the problem a little away'.

> "The monetary system is essentially a Catholic institution, the credit system essentially Protestant. ...But the credit system does not emancipate itself from the basis of the monetary system any more than Protestantism has emancipated itself from the foundations of Catholicism". (Capital, vol.3, p.592)

(The terms 'Catholic' and 'Protestant' are related to the Christian religious systems. To say that 'monetary system' is Catholic and credit system is Protestant amounts to 'both are religions and both are the same'; and that credit system will not solve the problems of monetary system. We will see this point in more detail in the chapter 'Crises').

## 15) Credit money

There has been a practice of writing down a 'credit note' (e.g., promissory note) since the past whenever 'commodities' or 'money' is given as loan. It is a note stating that the borrower would repay the loan along with interest after some period of time. This note would not have been there if there were no 'credit'. This note came into existence due to 'credit' only.

This credit note itself is not direct money. This credit note written for 100 rupees would not circulate like a 100-rupee currency note. But, this is also a note that is equivalent to money. If someone has this note, it amounts to possessing 100 rupees. But this is 'money in the form of credit' (credit money).

'Selling commodities and receiving an 'exchange bill' means converting commodities into 'credit money' instead of 'real money'. It has to be converted into 'real money' still later. Hence, Bill of Exchange is also credit money.

Similarly, 'share' certificates, 'bonds' are also not direct money. But they are equivalent to money. But their value may go down in many conditions.

All the notes that are not 'real money' are those that arise due to 'credit system'.

| | | |
|---|---|---|
| Government money | = | Currency notes. |
| Bank money | = | Cheques, drafts and the like. |
| Credit money | = | Bills of exchange, promissory notes, other commercial documents. All these are securities. |

Shares, bonds and debentures are also securities.

As the systems of banking and joint-stock companies developed, many kinds of newer 'credit notes', which were non-existent in the earlier societies came into existence. Along with them, their transfer, their mortgage, their sale and such other activities too emerged. (Along with them, various kinds of frauds as well).

'Credit relations' used to form separately between two persons or among three persons only.

Development of 'credit system' implies extension of credit relations in many directions and interweaving in all the directions.

As 'capitalism' develops, credit relations will interweave among many branches of production:

Between one production branch and many production branches.

Between capitalists and banks.

Between one bank and the other.

Between the State of one country and the States of other countries.

Between capitalists and workers.

Thus credit relations are interwoven throughout the world.

## 16) Central Bank

While examining 'credit system' and 'banks', we have to invariably know about the 'Central Bank' that has the right to issue currency notes. Since it is possible to understand 'issuing of notes' only after knowing about credit notes and securities, we will now see that point.

The Central Bank of each country will have a name, which that country gives it. (For example, the name of the 'Central Bank' in India is 'Reserve Bank of India').

A Central Bank is the bank of the central government. The Central Bank discharges all the duties of the central government concerning 'money'. The activities of this bank amount to the activities of the government. However, a Central Bank will have some 'autonomy' from the government.

The Central Bank alone will have the power to print and release 'currency notes' for circulation. No other bank will have that power.

The Central Bank also conducts such activities as banking transactions on behalf of the central government, supervises domestic and foreign credit transactions of the government and controls all the banks.

Here, we will simply see 'issuing of currency notes'; that too very briefly.

If more money than required comes into circulation, inflationary conditions arise. Similarly, if there is not enough money in circulation, another kind of problems will arise. Hence, it is the responsibility of the central government to see that the money in circulation should be neither more nor less but 'appropriate'. It is a different question whether the Central Bank really organises things properly or not. It is, however, its responsibility to organise properly!

The central government and State governments are 'depositors' in the Central Bank. It means that in the Central Bank there will be accounts of the central government, State governments, other State banks, other State financial institutions, private banks etc.

All that which comes from many kinds of 'taxes' and productive enterprises is the income for the central government. Whatever is taken out from it is 'expenditure'. The entire income of the Central government will be the 'deposit' in the Central Bank. But, the Central Bank will not give interest on that deposit to the central government.

State governments, government organisations, banks and such other organisations have to remit some percentage of their deposits to the Central Bank. The Central Bank will not pay interest on those deposits as well. It will pay interest only on such deposits, which exceed a given 'level'. That interest too will be very little.

The deposits that State governments, banks, financial institutions remit constitute 'collective reserve fund' of the Central Bank. Moreover, the entire income of the central government will be in the Central Bank only. There usually is a rule that some amount of money should always be there in the account of the central government (say 50 crores). It may be more than that also. It should not be less than that.

Thus, there will also be some 'deposits' in the Central Bank. It lends credit from these deposits to the central and State governments,

banks, financial institutions and earns 'interest'. After spending on office expenditure and wages of the employees (c+v), the Central Bank earns some 'profit' as well.

Every bank keeps some portion of its 'deposits' as 'reserves'. It pays from that reserve whenever depositors ask. When the reserve fund is not enough, it borrows from other banks or the Central Bank.

Similarly, State governments too borrow from the 'Central Bank'. State governments too should get some portions of the taxes that the central government collects. If the amounts borrowed by the State governments were more than the amount, which they have to get from the Central Bank, there would be different interest rates on that 'excess', depending upon the duration.

When the central government has more 'expenditure' than 'income', the Central Bank releases such bonds as treasury bills and promissory notes and adds to the government money that it receives after selling the bonds. It pays from the government account when bonds mature. It sells new bonds again if it requires money.

The function of releasing some more notes into circulation, whenever needed and 2 departments, namely, 'issue department 'and' banking department of the 'Central Bank', perform the function of withdrawing some notes back.

The 2 departments will have some money (notes) each.

Money in the issue department is something that is not present in circulation.

Money in the banking department is something that is present in circulation.

The entire money that is present in the 'banking department', other banks, financial institutions and people outside taken together is money in circulation.

When money comes from outside to the Central Bank, it comes into the 'banking department' only. Similarly, when money goes out of the Central Bank, it goes out of the 'banking department' only.

It is the banking department that organises money, in such a way that the money in circulation does not either rise above or fall below a certain level, depending upon the societal needs.

If the money that comes into the banking department is more than what it ought to be, the excess is transferred to the issue department. The notes that go into the issue department are non-existent in circulation. Similarly, if large amount of money goes out of the 'banking department' to the public and if money in that branch falls to the minimum level, some notes are taken out from the 'Issue department'. It means that that money is required again in circulation.

But when taking out some notes from the 'Issue department', it is not possible to take them out 'free'. Either gold or government securities, which are equivalent to the value of the notes taken out, should be deposited in that department and only then notes should be taken out.

The history behind this 'rule' is the following:

In the past, gold money alone (gold coins alone) used to move in 'circulation'. Later, 'paper money' replaced it. People used to hand over their gold coins and in return take paper rupees. They began to conduct exchanges by means of paper money. However, during the early days of 'paper money', the government had to make an arrangement by which people could convert the paper money into gold money whenever they wanted. Which means, people will have confidence in the 'paper money' when it is possible for them to get back their gold coins by giving 'paper money' to the treasury. For this purpose, the government had to keep gold of the public ready in the treasury. The amount of gold kept was equivalent to the value of notes in circulation. Thus, storing gold in the treasury as a back up (supply) to the paper money began in the past. As people gradually got accustomed to the paper money, the State abolished the system of converting paper money into gold. Yet the convention of keeping some gold as a reserve in the treasury continued to exist.

If imports exceed exports and if a 'balance' has to be paid in the form of gold to a foreign country in foreign trade, the gold reserve in the treasury will be useful. (If the country **A** has to pay some balance to the country **B**, it is the responsibility of the exporters of **A** to pay that money. If they pay their domestic currency to their government, the government

keeps it in its treasury and might send some gold abroad. Which means, it is the exporters of **A** that pay the balance; not the government.

If there is gold in the treasury of **A**, **B** which conducts business with **A** thinks thus, "There will not be any problem if we do business with **A**. Even if it owes us, it can repay the debt since gold is ready with it. Hence, we need not hesitate to do business with it".

**A** too thinks the same way if there is gold reserve in the treasury of **B**.

Which means, the States of the countries will have mutual trust only when there are gold reserves in the State banks.

Like gold, it is the same with 'foreign securities' as well.

Suppose **A** bought the government bonds of **B**. It means that **A** lent dome money to **B**. Those bonds remain in the treasury of **A**. When they mature, **A** gets money along with interest from **B**.

Let us say that there are bonds of **B** in the treasury of **A**.

Suppose 'trade' takes place between **A** and **B** and **A** owes some debt to **B**. In return for that debt, **A** can give away the bonds of **B** that are available with it. Which means, **A** would not collect the money connected with those bonds. This is how foreign securities are useful.

Every country is following the 'convention' of keeping some gold and some securities as reserves in its treasury only in order to create confidence among the foreign countries.

Gradually, 'Central Banks' came into existence in every country, the system of '2 departments' came into being and thereafter the practice of keeping gold and foreign securities in the 'Issue department' began. Sometimes there may not be foreign securities. Some gold would be invariably available. But, there would also be 'domestic securities'. (Domestic securities mean treasury bills of the central government, government promissory notes and other 'permitted' certificates).

The first implication of keeping some security while taking out notes from the 'Issue department' is that it has been a convention since the past. The next implication is that there is a rule that one has to take the value in the form of notes by giving value in another form. The assumption is that, if there were no such rule, there arises a situation whereas any number of notes would be taken out.

The Central Bank may take out two 5-rupee notes from the 'Issue department' and in lieu of that value may deposit one 10-rupee note. This simply amounts to taking 'change' for a 100-rupee note.

Similarly, the Bank can dump at one place all the spoiled notes in circulation, burn them periodically and can freely take out notes equivalent to that value from the 'Issue department'. It simply means taking new notes in return for the notes issued in the past.

But, apart from the 2 occasions, while taking out notes from the 'Issue department', the Central Bank deposits 'government securities' that are equivalent to the value of the notes. They call these securities 'assets'. Likewise, when money is accumulated in a large quantity in the Banking department and is transferred to the 'Issue department', 'assets' equal to the value of the money may be taken out from the Issue department. They then shift to the Banking department.

We have seen before that every bank has to buy central government bonds with some part of its deposits. Further, it has to deposit a portion of its deposits in the 'Central Bank'. It has to keep some portion for itself as 'reserve fund'. It has to lend credit with the remaining part only.

But, buying central government bonds with some deposits amounts to lending credit. It gets interest on credit. It gets interest on that credit as well. Depositing some money in the Central Bank implies that the Central Bank too uses that deposit for lending loans. Therefore, that portion will also be useful to lend credit. If the bank keeps for itself some more portion as 'reserve fund', it keeps lending 'short term' loans that are repayable in 1 or 2 days. Thus, a large part of the total 'deposits' keeps circulating as credit and earns interest.

There are 'chests' of the Central Bank in banks so as to enable the banks to borrow credit from the Central Bank, whenever banks suddenly require some money.

Those 'chests' are connected with the 'Issue department'. It means that money in the 'chests' is 'not in circulation'.

All banks do not have these chests. Only a few banks have them.

Let us say there is a chest in bank **A**.

Suppose, on a particular day, **A** needs some more money than what

is available in its reserve. It immediately takes out the required money (notes) from the 'chest'. ('Depositing assets' in lieu of the notes does not take place at the level of this bank. It simply writes an account of the number of notes taken out). Taking money from the 'chest' amounts to taking a loan from the 'Central Bank'. It has to pay interest to the Central Bank even if the loan is for only one day.

Let us suppose that excess money has to come to **A**. If the bank keeps the excess amount in the 'chest', after deducting the reserve amount, it amounts to clearing of the 'loan' borrowed the previous day. If **A** has some more additional money, even after repaying the loan, it has to obligatorily put it in the 'chest'. It means that additional money is given as a loan to the 'Central Bank'. Further, if **A** keeps the notes that it does not require in the chest, another bank that has a 'chest' can take those notes. This is how it happens:

We have seen that all banks will not have chests.

**A** has a chest. **B** does not have a chest. If **B** needs some money, it goes to **A** and asks for a loan. **A** lends credit if it has money. **A** would get the interest that **B** pays. If **A** does not have money with it, it takes out from the chest and lends credit. The interest that **B** pays goes to the Central Bank only. All the banks that are located around **A** and that do not have chests go to **A** for credit. The entire responsibility of showing the account, whether it takes it out from the 'chest' or puts into the chest, lies on **A**.

Suppose there is one chest in the area of **A** and another in the area of **B**. There is some money in the chest of **A** on a particular day. There is no money in the chest of **B**. **B** chest wants some money immediately. There is a facility for the chest of **B** to take money out of the chest of **A**. This is an arrangement whereby notes that are 'unnecessary' at one place may be used at another place. There will be an arrangement whereby notes available in all the chests are sent to whichever chest needs them, instead of retaining notes of one chest where they are and sending new notes afresh to another chest. Since a bank puts back the notes, which it does not need, into its chest, the chest of another bank can utilize those notes if necessary. It follows that this is an arrangement whereby currency can be used 'economically'.

Every chest sends all its accounts every day to the Central Bank. The banking department at the Central Bank reviews the condition of the

chests and sends notes if chests require more notes. If the required amount of notes is available with it, the banking department deposits assets in the 'Issue department' takes out notes and supplies them to the chests. Depositing 'assets' in the 'Issue department' takes place only at this level.

Each year the level of currency necessary for circulation has to rise. It is because, 'level of production' under capitalism keeps rising every year. The 'surplus value' obtained in the previous year would inevitably convert into 'new capital'. As a result, the production process that takes place subsequently would be 'expanded reproduction'. By the time that 'expanded reproduction' ends, more surplus value than the past comes into existence. Since the 'value' that comes into 'existence' increases, the 'quantity of currency' necessary for circulation also has to increase. If it doesn't rise, a situation arises whereby currency becomes inadequate.

Suppose a 'social production process' in a year took place with 60**c**+40**v**. Let us say 40**s** has come through it. Which means, the value of mass of commodities would be 60**c**+40**v**+40**s**.

Suppose every year 'production process' takes place again and again at this level as a 'simple reproduction'. Which means, 40**s** does not convert into new capital and the capitalist class would use it wholly for its personal consumption. Again only 60**c**+40**v** will function as new capital. The new **s** would be only 40 as the old **s**. Though this new **s** is the 'new value' that was not there in the past, currency need not rise to circulate this new **s**. It is because, the same currency that circulated old **s** would circulate the new **s**. On the whole, the currency that circulates old 60c+40v+40s would be circulating new 60c+40v+40s. When the reproduction process exists only as 'simple reproduction process', the 'value' that comes into circulation remains as before and the need for the currency necessary in circulation too would be as before. It is not necessary for the level of currency to rise.

But, when reproduction process exists as 'expanded reproduction', some portion of the old **s** converts into new **c+v**. If we see to this extent alone, more currency is not necessary for this change since it is a portion of old **s** that changed into 'new c+v'. The currency necessary to circulate old **s** would anyway be available already. Therefore, new currency is not necessary for the sake of value that converts into new capital. So far,

there is no new value. What happens later is that new **s** comes out of 'expanded reproduction'. This would be larger than the old **s** since it has come through a 'larger capital'. Larger **c+v** gives large **s**. New currency would become necessary to circulate that part of new **s**, which is larger than the old **s**.

Since the hitherto non-existing new value keeps coming into existence due to the existence of reproduction process as expanded reproduction process, certain amount of new currency has to come into circulation every year.

Moreover, once 'share' business began after the emergence of 'joint stock system', the share prices increase higher than the actual values. Hence, more currency will become necessary for that business as well.

Capitalists, who require capital, always ask banks for loans. Banks calculate their deposits and the loans to be lent and ask the banks credit thus, 'we need some more money in the coming 6 months'.

The Central Bank examines all such indents received from the banks, come to an understanding as to how much currency it should issue and then prints the required number of new notes.

That new money first comes to the 'Issue department' from the press, later to the 'banking department' and from there, to the 'chests', later to the banks and then to the capitalists. Thus, the Central Bank supplies new currency to the chests periodically.

Suppose a capitalist called **K** asks the bank **S** for the credit to buy some machines or to construct building for the 'industry'. That machinery or that building stands as surety for that loan. The surety documents will be in bank **A** only. **K** will get credit.

The capitalist can deposit share certificates, other securities, gold and other properties also as sureties. There is no connection between these and the securities that are kept in the 'Issue department'.

We have seen earlier that the central government, if it needs money when its 'expenditure' is greater than the 'income', borrows 'loans' from the 'public'. For the sake of these loans, the Central Bank itself releases different bonds on behalf of the government. The government gets money when the banks, financial companies, other companies and individuals buy those bonds. It amounts to lending to the government.

Suppose all the bonds that the government releases do not sell. It means that the government did not get the required money from the public. In such a situation, the Central Bank itself buys the remaining bonds and provides the entire money required for the government. Purchase of government bonds by the central government implies that the Central Bank lends credit to the government. It sells the bonds that it bought earlier to others who buy them later. If no one buys them, the interest on those bonds remains with the Central Bank itself.

Suppose the account of the central government in the Central Bank should never go down below a given level (e.g., not less than 50 crores). But, let us say, that that level has fallen to 10 crores at a particular point of time. As it is not possible to borrow 'credit' immediately from the public, then the Central Bank itself lends 10 crores to the central government. If there is so much money in the 'banking department' itself, the Central Bank deposits that amount in the account of the central government. Or, if that much amount is not available in the banking department, it deposits the bonds that it bought earlier from the government in the Issue department and takes out money from the Issue department and lends it to the government. Or, if the Central Bank does not have government bonds with it, the Central government sells new bonds to the Central bank. The Central Bank deposits those bonds in the Issue department, takes out money and remits it in the government account. Suppose the next day, the government receives 20 crores of income in connection with taxes. If so much money is not necessary for immediate expenditure, it can transfer 10 crores from that amount (20 crores) to the Issue department and take out the bonds. It will have to pay only one-day's interest on 10 crores that it borrowed as credit.

Or, let us say, the bills mature while they are still in the Issue department. It is the government that has to pay money for the matured bills. If there is money in the government account and the position is such that it can pay the bills, then the money would go to the 'Issue department' and the matured bills come out. The interest that comes through these bills will go to the Central Bank. But if the government is not in a position to pay money for the matured bills lying in the Issue department, then the government removes the old bills and deposits new bills in lieu of the old bills. It means that the new credit begins. Thus, whether the central government needs money or the Central Bank needs

money for its activities, securities are deposited in the Issue department and money is taken out. The money so taken out will go out either as credit that the Central Bank lends or payments that the Central Bank makes.

A large part of the notes that come out of the 'Issue department' will no longer go back to the 'Issue department'. They have to move all the time in 'circulation'. (Whenever they are spoiled or torn, new notes will come. It is a different issue). Since these notes do not leave 'circulation' and enter into the 'Issue department', the securities, which went into the Issue department at the time of release of these notes, too will not come out of the Issue department. However, whenever they mature, they have to be removed and new securities have to be deposited. The interest that accrues on the matured securities goes to the Central Bank through the account of the central government. This is the portion that always adds to the income of the 'Central Bank'.

Gradually, every year, new notes keep coming into circulation and the 'quantity of notes' that remains in circulation keep growing.

On any day, whenever we see the Issue department, there will be 'assets' that are equal to the value of the notes in 'circulation'. Some portion of the assets includes gold and some portion of the assets includes domestic and foreign securities. The value of all the assets is equal to the value of the notes.

[Assets in the 'Issue department' in the Central Bank of India as on 23 April 1982:]

| | | |
|---|---|---|
| Gold | : | 225, 58, 28, 000 |
| Foreign securities | : | 1,564, 05, 75, 000 |
| One Rupee notes and coins | : | 34, 74, 16, 000 |
| Rupee Securities of the Govt. | : | 13,779, 90, 17, 000 |
| (There are no domestic bills of exchanges and the commercial certificates). | | |
| Total Assets | : | 15, 604, 28, 36, 000 |

Notes released from
The 'Issue department'
(Liabilities):

| | | |
|---|---|---|
| Notes in the 'Banking department' ..... | : | 33, 91, 74, 000 |
| Notes in circulation outside ..... | : | 15, 570, 36, 62, 000 |
| Total Notes in Circulation ..... | : | 15, 604, 28, 36, 000 |

(Reserve Bank of India: Functions and Workings, 1984. Page 315.)

[Why rupee notes and coins stand as 'assets' in the 'Issue department' is that in India, it is the central government alone and not the Central Bank that produces one rupee notes and coins. Hence, 'assets' are permitted. What is evident from this example is that there are assets in the Issue department that are equal to the money in circulation.]

We have seen that all the notes found in the 'Banking department' of the 'Central Bank', other banks, financial institutions and the public constitute 'notes in circulation'. This alone is 'supply of notes' (currency supply).

But, 'supply of notes' itself is not 'money supply'. In other words, 'money supply' does not simply mean 'supply of notes'. Since all the banks give the same notes as loans many a time, all those loans together constitute 'money supply'.

> "...the mass of loanable money-capital is different from, and independent of, the mass of circulating money". (Capital, vol.3, p.499)

The question of money capital that goes as 'credit' and the quantity of money in circulation are two different things. The 'quantity of money in circulation' means 'quantity of currency notes'. The quantity of notes itself is not the quantity of credit. Therefore, if we reduce the 'supply of notes', we can reduce money supply many times. Similarly, if we increase the supply of notes, we can increase the money supply many times. Similarly, we can change the 'money supply' even by changing the level of deposits of other banks in the Central Bank. There are many such ways as these.

The regulation that a Central Bank is expected to follow is that it should not generally issue more number of notes. But, there will not be a specific limit to that 'more number'. The Central Bank is obliged to issue notes in accordance with the government's needs and the amounts that the banks ask for.

Under capitalism, there will not be correct calculations at any level in any sphere. A large part of the money that went into circulation does not appear in the accounts. Lot of money circulates as 'black money'.

Let the Central Bank in a given country observe any number of rules, conditions of inflation arise and keep intensifying. Which means, there is no equilibrium between the 'value of the products' and 'money supply' in that country. In order to achieve it, there has to be definite planning among different branches and there has to be genuine accounting of money. Which means, something that is impossible under capitalism is required!

As the system of joint stock companies extends, a large part of the credit is available to the business in 'shares', 'bonds' and such other kinds of securities. Banks use a large part of their deposits to buy securities for themselves, to lend to the stockbrokers and the clients.

> In Marx's words: "With the growth of material wealth the class of money-capitalists grows; on the one hand, the number and the wealth of retiring capitalists, rentiers, increases; and on the other hand, the development of the credit system is promoted, thereby increasing the number of bankers, money-lenders, financiers, etc. With the development of the available money-capital, the quantity of interest bearing paper, government securities, stocks, etc., also grows...However, at the same time the demand for available money-capital also grows, the jobbers, who speculate with this paper, playing a prominent role on the money-market". (Capital, vol.3, pp.510-11)

Banks compete with each other to lend more credit.

Just as 'control' is necessary on any business, control on bank business is also necessary. Since this is linked with 'money supply', more restrictions are necessary. But when it is the State (government) that has to impose restrictions on the business and when the government itself is

the government of the capitalists and bankers, 'controls' and 'restrictions' on business will become meaningless utterances. Let there be any number of restrictions in law, all of them become ineffective in and 'profit motive' succeeds in practice and everywhere it creates problems that are characteristic to it.

## 17) Centralisation of 'power' over 'capital'

Power over 'capital' means power over 'means of production' and the 'labour power' (on 'c+v); power over 'production process' and the 'circulation process'. Thus, power over the entire 'society'.

Before the system of 'joint stock companies', during the period when small size capitals used to function individually and separately, each one of them had power over their own capital. That 'power' consisted of legal right over 'capital' and conditions to 'organise' the capital. Then each capital used to function with 'less magnitude' and 'low productive power'. But under the system where all the smaller capitals join together at a single place in the form of 'shares' (in the form of joint stock companies), 'concentration' of real power over 'capital' in the hands of the fewer capitalists begins.

The total capital in a joint stock company is 1 lac. Total number of shareholders is 100. Suppose the company directors are 5. The entire capital in the company does not belong to the directors. But the directors alone have the power over the 'entire capital' (the real power to organise that capital).

**All the shareholders are capitalists. Yet, none will have power over their respective capital. These shareholders do not have any role concerning 'production and circulation processes'. Except directors, remaining persons simply exist as recipients of 'dividends'.** In this example, 95 out of the total 100 capitalists lose their power to organise capital and the power of all shareholders over the capital goes into the hands of 5 people. This is the 'centralisation' of power over capital.

Concentration of power over a lac capital in the hands of 5 directors means that each director has power over a capital of 20 thousand (20% of the capital).

Suppose the capital of the company has become 2 lacs after some time. Let us also suppose that another 80 more shareholders and 3 more directors have joined. Now power over 2 lacs is in the hands of '8 persons'. Compared to the past, the power over one 'lac' is in the hands of 4 persons only. Now each director will have power over a capital of 25 thousands (25% of the capital). This is a greater concentration of power than before. Thus, as the capital grows in the joint-stock companies, the power over it (capital) would increasingly be concentrated in the hands of a fewer number of people than before.

Labourers, who actually do labour in the production and circulation processes, must have power over means of production and the processes of production and circulation. But that situation will anyway not be there in the exploitative societies. The owners of means of production alone will have the entire power. However, the power of those owners will now be restricted to 'fewer people', away from many people.

Since the same thing that happens in one 'joint company' also happens in every joint company, the power over total capital of the whole society (power over the whole processes of production and circulation) will be in the hands of fewer capitalists (directors).

Generally, productive capitalists, commercial capitalists, landlords, banking capital, military officials, State (government) functionaries who have large shares will be able to join the board of directors of the company. If the 'board of directors' consists of such fellows and if we see the boards of directors of all companies together, it is this band of 'exploitative stalwarts' who run the 'social capital' (the entire society)!

Suppose there are 10 crores of people in a company.

Of them 10 lacs of people are capitalists and the rest are workers.

Suppose a thousand persons among the capitalists are 'directors'. Let us also suppose that 200 out of those directors have the largest number of shares.

It means that all the decisions concerning the whole country will be in the form of the whims and fancies of those 200 directors.

Those directors are the heads of the entire '10 crore population'!

The important form of concentration of capital is 'Joint-stock company'.

> In Marx's words: "...the stock company is a transition toward the conversion of all functions in the reproduction process which still remain linked with capitalist property, into mere functions of associated producers, into social functions". (Capital, vol.3, p.437)

If we don't understand this point properly, it leads to 'extreme misunderstandings'!

It is the task of the working class to confiscate the means of production from whatever kind of exploitative ownership. When means of production are centralised in large joint stock companies of a given country, it is the task of the workers of those companies to confiscate those companies. Therefore, when it so happens, a system of Joint Stock Company exists as a 'transition stage' of capitalism for its conversion into a system of associated producers. It is such a change that takes place in given conditions.

However, this does not mean that it should and would happen like this in every country. Let us say that joint stock system has not yet developed in a given country. In that case, it does not mean that the working class should wait until joint stock system develops; it should help to develop that system; it should not do anything to take power since Marx considered joint stock system as a 'transition stage'.¾We have to understand these things carefully.

'Centralisation of capital' grows every year. The Joint Stock Company gradually leads to the centralisation of several joint stock companies.

A joint stock that operates with a large capital in a given branch converts small-size joint companies of the same branch or allied branches as its affiliated companies through many kinds of relations. It may establish on its own initiative some affiliated companies and keep a majority of the shares under its control. Or, when some other company releases shares, this company in order to secure as many shares as possible, may try under many guises and secure those shares. It may establish links with other companies by way of 'technical' cooperation, 'economic' cooperation or 'trade relations' whereby it buys the commodities of some companies. Some of its own directors could be the directors of those affiliated companies as well. In this and many more possible ways, a large company

turns many smaller companies as its affiliated companies that have relations of dependency.

Suppose company **B** is an affiliated company of **A**. **A** will be concerned with all the decisions concerning **B**. Though **B** has a special board of directors, that board, instead of being fully autonomous, will be nearly fully under the control of **A**. (This control is not a legal right). This would further increase the centralisation of power.

If **B** too has an affiliated company called **C**, the relations will be as follows:

**B**'s control over **C**.

**A**'s control over **B**.

Which means, the control of **A** is not only on **B** but also on **C**.

Though the entire capital of 3 companies does not belong to **A**, **A** itself would be able to exercise authority over the entire capital. Thus, a giant company will have an opportunity to establish its relations with 2nd level and 3rd level companies. That is, power over capital of many affiliated companies is concentrated in the hands of a giant company.

Activities involving total merger of smaller companies by a giant joint stock company also take place. This kind of merger takes place when the board of directors of the latter company decides to merge with the former company. The board of directors declares thus, "The board of directors decided to merge this company with that great company. As a result the profits of this company rise many times. Shareholders who do not accept this merger may take back their 'share prices' and leave the company". The merger of these companies will take place since there will not be any shareholders who oppose the possible rise in profits. Thus, the capital of the 2nd company as well comes under the authority of the directors of the first company.

Each one of the directors of the giant company will become the director of their affiliated company.

Every director shall necessarily have some percentage of shares in the company. But, we have see earlier that the directors do not retain the required number of shares but sell away many shares at a later point of time and with that money buy shares in another company. After buying

shares in another company, they become directors there and sell those shares as well and buy shares again in a third company. Thus, a capitalist continues to be a director of many companies even without having the required number of shares in any company. Which means, he is able to exercise his authority on huge capitals of other shareholders even without having 'capital of his own'.

It is not a wonder if a director is acting as the director in 20 companies. The 'Companies Act' permits a 'person' to be the director of 20 or 30 companies. If a capitalist is the director in 20 companies, it means that he does not have capital of his own in all the 20 companies. But, he is able to wield power over 20 companies.

Further, he would take '20 wages' from all the 20 companies at the rate of wage from each company. Besides wages, he would also take many kinds of 'allowances'. However 'hardworking being' a director may be, he too will have only 24 hours in a day! If we deduct at least 16 or 18 hours for the sake of such personal needs as food, sleep etc., that 'labouring being' extends his 'services' in the remaining time to all the 20 companies and be able to take 20 wages! It means, he spends a quarter hour for each of his wages!

Whereas workers have to work at least for 8 hours a day. In many branches, workers work 14 hours per day. While coming from their homes to the work places they don't come by cars, like directors. They come either by buses or by cycles. Which means, workers have to start one hour or 2 hours before at their houses. They get a 'single' wage for a house. They get a 'single' wage for spending so many hours of time.

Whereas the director, who does not work even for 4 or 5 hours, will get 20 wages! In addition to that...allowances, in addition to that...privilege, in addition to that...in addition...!!

> "On the basis of capitalist production a new swindle develops in stock enterprises with respect to wages of management, in that boards of numerous managers or directors are placed above the actual director, for whom supervision and management serve only as a pretext to plunder the stockholders and amass wealth"—Marx (Capital, vol.3, p.389)

Here Marx quoted many things from some works. He described how directors swallow large sums of money in the name of 'wages',

while being directors to many companies. This fact became evident from the balance sheets of some companies that went bankrupt. Supervision and its wages were in 'inverse proportion' in those balance sheets. It meant that low wage to those who do most part of that 'labour' (of supervision) and higher wages for those who do the least part of that labour; and unimaginable wages to the directors who do nothing of that labour! Marx explains that those accounts indicate that directors, who are supposed to distribute profits to the shareholders, had swindled those profits under various names. The wages of directors is one of the many kinds of swindles that arise out of the system of joint stock companies.

Look at another quotation from Marx on the swindles that arise from the 'stock companies'.

> "It reproduces a new financial aristocracy, a new variety of parasites in the shape of promoters, speculators and simply nominal directors; a whole system of swindling and cheating by means of corporation promotion, stock issuance and stock speculation". (Capital, vol.3, p.438)

## A 'monopoly' company:

Joint stock companies, along with all the companies that are under its control, constitute a 'monopoly' company. Or, when some different joint stock companies in a given branch arrive at some agreements, all of them constitute one 'Monopoly Company'.

Different companies stand as members in a 'monopoly company'. The board of directors of that 'monopoly company' will be formed out of the directors of those different companies. The monopoly companies may have different names in different countries. Or, the names might be different depending upon the level of that monopoly company. Such names as cartel, syndicate, trust, concern, corporation and so on.

Take any capitalist country, the process of emergence of monopoly companies will be stage-wise. In the initial stage, there might be simply agreements among the member-companies of a monopoly house concerning 'prices' (price fixing). In the subsequent stages, production quotas (how much each company should produce), market places, labour rules and such other issues are included. Different companies formed as a 'monopoly company' based on such agreements try to avoid

'competition' among them. Monopoly Company will have its branches, affiliated companies, own banks etc., in other countries as well. The total capital of these companies will function with higher 'productive power' when they come together based on certain agreements than when they are individual and separate. Hence, a monopoly company is more powerful.

Well, then, will the competition in society vanish as a result of monopoly companies? No, it will not happen so. Due to a monopoly company, the competition among its member-companies alone will cease. Then the competition would exist among different monopoly companies. That is, between one monopoly company and another. This competition would be among large-scale capitals instead of small size capitals, among large groups of capitalists instead of individual capitalists. Thus, only the 'form' of competition changes but a situation will not arise whereby competition itself vanishes.

The intention of some companies to arrive at an 'agreement' is not because they think that 'competition is bad' and 'unity is good'. The intention of each company that arrives at an agreement is to prevent the other companies from getting more profits than what it gets. There might be a scope for some companies to be able to enjoy a 'higher profit rate' if they don't arrive at this agreement. In order not to give such a scope, all the companies have to arrive at an agreement based on certain conditions. This agreement is another form of the struggle to distribute profit. Companies enter into agreements only with this motive. This is simply another form of competition. 'Competition' for the sake of profit, if possible; 'agreement' if it is not possible! Both are for the sake of 'profit'!

Even when it appears as though there is no competition in a 'monopoly company', there will be 'internal conflicts' among the member companies. There will be many hidden differences, nasty fights, factionalism and so on for the sake of entry into a better market, production quotas, leading positions that give control and power over the company and many such other factors. Each member-company will make use of its own favourable conditions.

If monopoly companies belonging to different countries arrive at agreements, such are called 'Transnational' or 'multinational' monopoly companies. Centralisation of power over the capital will be in accordance

with that (international) level. Even then, 'competition' will not vanish. That competition will be among different international companies.

Since 'competition' is aimed at a 'higher profit rate', competition will never vanish in a mode of production that has profit motive. Hunt for profits will always make competition inevitable in some form or the other.

In a capitalist country, even in a stage where monopoly companies are already formed in all the important branches, there will be some family companies belong to a single family and some small scale joint companies as well. The giant companies try to bring smaller companies into their fold through various ways. Bribing the directors of smaller companies, threatening, preventing the banks from lending credit to the smaller companies, putting hurdles that prevent them from entering into the market, felling the share prices by means of malicious propaganda against those companies and many such ways. Let there be any number of such attempts, still some smaller companies co-exist along side of the giant companies. But, the production of smaller companies will form a very small portion of the 'total production' of a given branch. Since the productive power of smaller companies is also very low, their profits too will not be high.

**'Monopoly profits' of the 'monopoly company':**

The benefit that the capitalist groups get by forming into monopoly companies is that there would be a scope to earn profits higher than the 'general profit'. (This is simply the principle of earning 'relative surplus value'. We have seen this in the chapter 'working day', in part of volume 1. Here, we have to recall the same thing once).

If a company can produce a commodity at a cost price lower than before (at a low cost), and sell it at the 'usual price', it is possible to earn more profit than before.

Monopoly companies conduct researches regularly to improve technology and hence productive power grows and thereby cost prices decrease.

Suppose that, in a given branch of production, there is only one Monopoly Company, instead of some smaller companies. If that monopoly company itself produces large number of commodities, it can raise the

commodity price 'without any reason'. (If it raises the 'price' even without a rise in the 'cost price', then it amounts to raising the price without any reason). Or let us say that there is more than one monopoly company in a given branch. All of them together arrived at an 'agreement'. Then also, they can raise the price without any reason.

Let us say that branches B, C and D need the commodity of branch **A** for productive purpose.

Suppose a reduced 'cost price' but usual price is there in branch **A**.

While B, C and D buy A's commodity at the usual price, the new commodities produced in B, C and D will have usual cost price and price as before.

It means, prices have not changed in any branch. Prices are as before. Yet, if we compare **A** with B, C and D, the profit rate of **A** will be higher than the other branches. The reason is that the price in branch **A** is as before despite the reduction in the cost price. (If we deduct the 'reduced' cost price from the 'usual price', the profit that remains will be higher than in the past).

When a branch is able to earn higher profit than the average and if we compare this profit with that of other branches, the profits of other branches will be lower than the 'average'. It means that a branch, which is able to earn 'higher' profit, could grab some portions of the average portions of the average profits that have gone to other branches. There is no secret than this about the higher profit that a branch earns.

Let us suppose that **A** has a reduced cost price and a higher price than ever. If it can sell by raising the 'price' like this, **A** will get higher profit than the first example. But, if other branches too do the same thing (if they too raise their prices), no branch will have 'more' profit.

An example:

The general rate of profit is 10%. Let us say that **A** has raised the price of its commodity without any reason and is earning 20% profit. The cost price in **B**, **C** and **D** too raise their prices in such a way that they can take back their increased cost price and in addition the 20% of profit just as **A** got earlier. What will happen then? The prices in all branches of production rise at the same level and profit rate of all branches will be 20%. However, the present profit rate (20%) of all the branches will be

equal to the past profit rate (10%). If all branches could raise price at the same level no branch would get higher profit rate.

Another example: **A** alone raises its price. B, C and D do not raise their price despite an increase in their cost price. (Or, even if they do raise the price, they do not raise it as much as **A** does). Profit in those branches decreases. That reduced profit will go to **A**. What will happen if B, C and D pay less price for the commodity of **A**? The cost decreases and profit increases for those branches. Since those branches pay a higher prices without any reason to **A**, that profit goes to **A**.

Profits that different branches earn depend on (1) their cost prices, and (2) their 'prices'.

The conditions that raise or lower the profits of various branches of production will be as follows.

1) Earlier cost price & earlier price — Earlier profit.
2) Reduced cost price & earlier price — higher profit than ever.
3) Reduced cost price & increased price — still higher profit.
4) Earlier cost price & increased price — more profit.
5) Increased cost price & earlier price — lower profit than ever.
6) Increased cost price & increased price — profit as ever.

Though monopoly companies emerge in all the branches, their profits will be different depending on the differences in their capacities.

The monopoly companies that can sell their commodities at monopoly prices raised without reason will earn monopoly profits.

However, if a monopoly company wants to raise the price of its commodity without any reason, there will be a limit even to that price. Even the Monopoly Company will not have the freedom to raise the price to any extent without any limit. It is because the other branches should buy the commodities that the Monopoly Company sells and because those other branches too should get minimum profits.

The mass of 'social surplus value' which is the source for profits of all branches will be some quantity only; but it will not be 'limitless'.

Capitals of all branches should share the available mass. Grabbing 'profits' should take place by means of 'prices' in the branches. If the commodity of the Monopoly Company has an exorbitant price, other branches will not agree to buy the commodity of such a high price. If other branches do not buy, no branch would sell its commodity. Owing to these inevitable relations among the branches, it is not possible even for the Monopoly Company to raise its price to a very high level.

If a monopoly company (say 'petrol' production company) that we see in our daily life appears to be earning 'huge profits', it is not an 'illusion'. It is true. It is enough if that monopoly company is able to grab certain profits additionally from all the branches to which it sells its commodities. The 'mass of profit' of that monopoly company grows to a great extent. But it does not mean that other branches will not get any profits at all. Their profits decrease a little; that's all.

Whatever be the price in any given branch, the totality of the prices of all the branches together constitutes the value of mass of commodities. It is the 'social surplus value' that remains after deducting the total of cost prices (total of capitals) from the total value. Different branches of production will be able to grab this 'surplus value' through their 'prices' either to a small extent, great extent or very great extent.

## 18) 'Service' of the banks to 'capital'

Money circulation and credit have been there since the earlier societies. But they are in the form of 'banking system' in the capitalist society.

Banks begin their 'service' to capital firstly by undertaking money-dealing activities like saving 'money' and sending money here and there.

Gradually they began 'money-lending' business with the money of their 'deposits'. This is the second service of supplying 'money' to capitalists, who do not have (adequate) capital.

Moreover, banks themselves began to group into 'joint stock company'.

Thereafter, 'monopoly banks' too began.

Still later, banks started functioning as 'mutual fund companies'

that undertake share business on behalf of the 'shareholders'. Thus, banks gradually began to do many kinds of business.

There is 'competition' in the banking sector too, just as in other sectors. That competition is connected with all sorts of business, which banks do. That competition is mainly concerned with mobilising more deposits and seizing opportunities to lend more credit with the deposits.

Just as there are 'foreign companies' in other sectors, there are 'foreign banks' in the banking sector too.

All the member banks in a 'monopoly bank' arrive at 'agreements' concerning interest rates, credit quotas and other aspects of the business.

Deposits of many banks are 'centralised' in a 'monopoly bank'. Banks that mobilise more deposits will get more interest and more profits.

The monopoly banks lend capital mainly to giant companies engaged in production and trade. Only giant companies can borrow large sums of long-term credit from the monopoly banks. Thus, a bank gets big orders from the monopoly companies. This will not happen through small size companies. The bank can give to smaller companies the same sum of money, which it gives to a giant company. But the bank incurs lot of expenditure due to such lending. Which means, 'cost price' increases and 'profit' decreases in the bank's business. Therefore, banks follow the 'clever' method of lending large sums to a few companies, instead of lending smaller sums to many companies. Small companies will recover if they get credit when they are in financial difficulties. But the monopoly banks do not lend the 'strong weapon' called 'money credit' to small companies. The giant banks 'serve' only giant companies by lending them sums necessary to buy up small companies.

But, since the 'service minded' banks play the role of supplying 'money capital', they derive power to dominate the borrower-companies by means of certain conditions.

In the past when there was no system of joint stock Company, the lenders of credit did not have 'power' over production and trading companies (whether the lenders were individuals or banks). They used to confine themselves only to lending credit and collecting interest. They did not have the power to 'dictate' as to how and what the 'borrower company' should do with that credit. But, gradually, as banks began to

undertake all the money dealing activities of the capitalists; as the sums of capital available as 'credit' increasingly reached the banks, instead of being scattered in many place; as a large part of 'money capital' began to be concentrated in the monopoly banks...as these processes increased, 'power to lend credit' came to be under the control of monopoly banks. Banks that reached this kind of stage are not ordinary organisations which simply do their own business. As large sums of 'money capital' are concentrated in banks, their 'domination' grows. That is why, they are able to dominate the borrower companies by stipulating many conditions.

In the stage prior to 'joint stock system', capital in a given sphere used to carry out the activities concerning that sphere only. That is, productive companies used to undertake simply productive activities; trading companies used to undertake trading activities and banks used to undertake money-lending business.

At that time, capitals used to have clear cut distinctions as:

'This is productive capital!'

'This is trading (merchant's) capital!'

'This is interest-bearing capital!'

The interests of those capitals too were so clearly distinct.

At that time, if 'interest rate' rose, it was profit on interest-bearing capital. It was a loss to the remaining capital.

Similarly, if 'commercial commission' rose, it is profit on 'merchant's capital. It was a loss to the remaining capitals.

Thus, during those days, interests of each capital used to be separate and clear.

But, this division will fade away after the 'joint stock system' begins.

Though banks are still doing 'money-lending business', they also buy shares in the productive and trading companies. Which means, banking capital also functions as productive and trading capital.

Productive companies buy 'shares' in trading companies and banks.

Trading companies also buy shares in productive companies and banks.

In the past, the proprietor of a given company used to be the proprietor of that company alone. Now, the same proprietor becomes a director and will be on the board of directors of many companies. The director of a productive company will be a director in the trading company as well as money-lending company. Directors of 'this' company and 'that' company are spread over both the directions.

With developments of this kind, the hitherto existing distinctions between one capital and another capital vanish.

Now, if 'interest rate' rises, capitals of other companies that have shares in the banks will benefit as much as the banking capital benefits.

Similarly, if 'merchant's commission' rises, it is beneficial to the capitals of other companies that have shares in trading companies as much as it is beneficial to the 'trading capital'.

We can't say that share (capital) of a capitalist in a given branch will now remain in that branch only. That fellow may sell away his shares in a productive company and immediately buy shares in a trading company or money-lending company. He would sell away shares in the money-lending company and buy shares in a productive company and a trading company.

As soon as shares of one branch shift to another branch, it amounts to a change in the interests of that shareholder.

While this situation is like this, another situation contrary to this is that a shareholder will have shares simultaneously in many spheres: some in production sphere, some in trading sphere and some in money-lending! On the whole, that shareholder will continue to have shares in all the spheres irrespective of the spheres among which shares shift. Thus for him, the interests of different spheres are identical.

However, in the joint stock system too—

The entire capital that functions in the 'productive process' is 'productive capital'.

The entire capital that functions in the 'circulation process' is 'merchant's capital'.

The entire capital in the 'money lending process' is 'interest-bearing capital'.

It does not mean that there is no such division in the functions of capital today. Even today, it is possible to take capitals into account in terms of this division. The only change that is new here is that the share holders who invest these capitals can shift their 'money capital' quickly from any sphere to any sphere.

Suppose there is a total of 100 capital in society. 50% in the productive sphere, 20% in the trading sphere, 30% in the sphere of interest-bearing capital. Each of these spheres has its own interests. Each sphere tries to grab as much portion as possible from the 'general profit'. When fellows of each sphere are buying shares of another sphere, interests of all spheres will become one and the same. The entire 100 capital will have 'the same interest', namely, extracting more and more 'surplus value' from the workers. This interest becomes a common interest to all the spheres.

Now it is not possible to describe with clear distinction the capital in banks as 'interest-bearing capital', the capital in productive companies as 'productive capital' and the capital in the 'trading companies' as 'trading capital'.

Thus, capitalism today has gradually reached the level of 'international monopoly companies'.

The banking system that had emerged exclusively to serve 'capital' has been changing in accordance with capitalism, extending its activities along the capitalist path and is progressing while doing self-service in terms of collecting profits'.

## Questions :

1. Give some examples to show that the capitalist produces for the sake of 'sale' only.
2. The quantity of money does not increase if it is kept in a box. It increases only if it is lent as credit. Why? What happens outside that causes an increase in money when it is lent as credit?
3. A given amount of money that a person lent did not function as 'productive capital' or 'merchant's capital'! It functioned as 'interest-bearing capital' only. What was the possible purpose for which the borrower used that money?

4. Interest does not enter into the 'value' of the commodity. Why?
5. The productive and trading capitalists earn 'surplus value' every year, isn't it? Their capitals keep growing, don't they? Will the capitalists be in a position to dispense with the borrowing of loans?
6. **A** owed some 'debt' to **B**. **A** repaid the loan to **B** immediately after he got the money. Explain the following Statement: "To repay the loan means to pay for the commodities purchased earlier".
7. **A** lent interest-free loan to **B**. **B** organised an industry and earned profit. Did the money in the hands of **A** function as 'interest-bearing capital' either in the hands of **A** or **B**?
8. Is it possible to earn interest by taking loan from a bank and putting it back in the same bank as 'fixed deposit'? How?
9. Is it possible to borrow money from a bank, buy 'shares' with that money and earn 'profit' through those shares? How?
10. Is it possible for all the capitalists to function exclusively as 'money-capitalists' but not 'productive capitalists' and thereby earn interest? Then, where does the interest come from?
11. There are 2 companies, namely **A** and **B**, in a given branch. Suppose both have equal sizes of capital, profit rate and interest-rate. In the case of **A**, money capital is more and share capital is less. In the case of **B**, 'money capital' is less and 'share capital' is more. Which capital could give more capital?
12. Is it possible for a private finance company to borrow 'credit' from the banks, conduct money-lending business with that money and earn interest?
13. One turnover in a company is 5 crores. Annual turnover is 60 crores. 20% profit through each turnover. How many turnovers are there in a year? How many crores is the annual profit?
14. While releasing its shares, a company announced thus, 'We have a credit scheme whereby our shareholders and debenture-holders can get loans from the banks". What does this mean?
15. Suppose a bank lends 90% credit to a capitalist if the 10% of the capital is his own. A capitalist called **A** purchased a thousand shares

at the rate of 100 each with a total of one lac, consisting of his own capital of 10 thousand and bank's capital of 90 thousands. The annual interest rate to be paid to the bank is 12%. In a year he sold a share for 200. What is the profit rate of **A** in this transaction?

16. A company's advertisement has the following line in it: "Ours is a company growing remarkably with sales that increased 4 times in 4 years and with a net profit that rose 22 times. While our turnover in 1991 was 26 crores, it rose to 48 crores in 1992". While the net profit was 2 crores in 1991, it was 31 crores in 1992. Collect some such advertisements.

17. In 1887, in a country called **A**, a fellow called Howe Mayer formed a trust combining 12 small sugar companies that had 60 lacs of capital. But he falsely declared the trust capital as '7 crores'. While giving 10% dividend to his shareholders, he declared that he paid dividend on 7 crores. What would the dividends have been, if he had really paid the dividend on the capital of 7 crores at the rate of 10%? What would the dividend rate be if we calculate as if he paid that dividend on 60 lacs only?

18. Suppose an electrical company called **A** has shares in 200 companies. Are the dividends, which the shareholders of **A** recieve, part of the surplus value of the workers of **A**?

19. Three important things happen after the emergence of joint stock companies. What are they?

20. "The Central Bank of London discounts foreign bills as well". What does it mean?

21. A person purchased a Treasury bill for 9 thousand. The maturity period is 6 months. Then he would get 10 thousands. What is the interest rate?

22. **A** purchased the share of a company at its actual value, that is for 100. Later he sold it to **B** for 165. **B** sold it to **C** for 180, **C** to **D** for 175, and **D** to 'E' for 166. Who got whose money in this transaction that has taken place so far?

23. Mention the names of some State financial organisations that are not 'banks'.

24. What does a 'monopoly company' mean? How can it earn a higher profit rate than the 'general rate of profit'?

25. Where are you working? How many directors do you have? Do you know the number of companies in which each of your directors acts as a director?

26. A shopkeeper in a village lends a bag of grain and takes 2 bags of grain while collecting it back after 6 months. What is this rate of interest?

27. In a scandal of shares that took place in India in 1992, a central minister resigned from the cabinet due to an allegation that he purchased shares from the "quota of directors' shares". Who is that minister?

28. Are the following Statements correct?
    (1) It is the interest that remains after deducting the profit of the enterprise from the 'general profit'.
    (2) It is the profit that a capitalist takes as remuneration for the labour that he performs for the enterprise.
    (3) Monopoly companies can raise their prices to any level that they wish.
    (4) The fellow who has his 'own capital' will sell his commodity at a lower price since he need not pay interest.

29. Fill in the blanks.
    (1) Interest is part of _____.
    (2) The mass of interest of the world is part of _____.
    (3) Bank is also _____ enterprise.
    (4) 'Usury' means _____.
    (5) Power over 'capital' means power over _____ and power over _____.
    (6) Profit that different companies earn depends on _____and _____.

30. Do you have 'fixed deposit' in a bank? Do you have shares?

●

Chapter 3

# Land-rent

'Land-rent' (or 'Ground-rent') means 'rent paid for having used the land'. We have seen earlier that this is also part of 'surplus value'. (In the chapter on 'Profit' in part 2 of volume 1).

Land is natural substance/matter. Human beings did not produce it. There is no 'human labour' in the 'raw land' given by nature. No one has the right to occupy such a land as his 'private property'.

But, human beings can not live without any connection with the 'land'. They have to build their 'dwellings' on the land. They have to raise 'crops' on the land. They have to do 'labour' for these needs. They will have the right to occupy the land to the extent that they do labour for themselves. Any one will have the right to use the land for 'natural and personal needs' like residence and cultivation. It is not possible for human beings to live if they do not use the land like that.

Other than for the 'natural needs' no one has the right to occupy land for letting the land to others on 'rent'. 'Nature' does not belong to any one so that they can rent it out. No one is the master of this 'globe'.

But, the same thing had happened in the human history. 'Masters' of the 'globe' emerged! Only a few people were able to occupy the land as their 'private property', the land which all humans should have used naturally. While some people became the owners of hundreds and thousands of acres of land, some people do not have even the smallest pieces of land that fits in the palm! Discussion on 'land rent' implies that that part of history is over during which some people had already occupied the entire land. Now, we can't see how that had happened. All that we see here is how land rent changed its forms and how it grabbed a portion of 'surplus value'.

Let us first see the ancient tribal communities where there were no distinctions like 'those who do labour' and 'those who do not do labour' (Where all people do the labour). There, the entire 'produce' that comes out of the land, which a tribe cultivates, belongs to that tribe only. At that time, there was no term called 'land-rent'.

Later, let us see the society where 'antagonistic classes' called 'slaves and slave masters' (labouring class and non-labouring class) emerged. Here, the 'surplus production of slaves begins and the masters get it. Here also, there was no term called 'land-rent'. But, here surplus production itself is 'rent'. We have to see this in a somewhat detailed manner.

Suppose there are 100 acres of land and 10 families of slaves under the control of a 'slave master'. (The slave master's family will have all rights of selling, buying or killing the slaves).

Men and women of these slave families live on the land of the Master and cultivate that 100 acres of land. Along with it, they also do such handicrafts as 'weaving' and also 'domestic service' necessary for the Master's family.

As cultivation of 100 acres is the main labour that slaves perform, let us consider this aspect only in order to make our example simple. Some 'means of production' will be consumed in order to cultivate that land. That 'cost' has to come back from the crop grown. Some more crops will be necessary for the maintenance of the slave families. After deducting these 2 kinds of expenses, the whole thing that remains will belong to the Master's family. Hence, we see the crop raised by slaves in terms of 3 portions, namely, the portion of 'means of production', the portion of 'value of labour power' and the portion of 'surplus value'. Just as any production in capitalist society consists of 3 parts, namely, constant capital, variable capital and the surplus value (**c+v+s**), production in any society after the emergence of 'exploitation of labour' will also consists of 3 parts.

Let us now see how the crop that the slaves raise in 100 acres of land consists of these 3 parts: The entire crop will not be the fruit of the labour of the slaves. After deducting the 'expenditure of means of production', the remaining is the fruit of the labour of the slaves.

Let us treat the crop in 10 acres is the 'cost of means of production'. (Which means, the cost of means of production constitutes 10% of the total crop). The crop in the remaining 90 acres (90% of the total crop) is the fruit of the labour of the slaves. But, slaves do not get all that.

Suppose the portion that the Master spends on the maintenance of 10 slave families is the crop of 20 acres. (Crop of 2 acres to each family).

Crop in the remaining 70 acres goes to the family of the Master. This is the 'surplus production' of the slaves (surplus labour).

We may see the total 'crop' as follows:

**c** + **v** + **s**

10% + 20% + 70%

Suppose the slave master has brought a 'loan' from another the sake of 'means of production'. To pay 'interest' on that amount, he would pay it from the crop of 70 acres that comes into his hand. If he has no need to pay interest, he would keep it for himself.

Crop of 20 acres to the 10 families that 'do labour'!

Crop of 70 acres to a single family that 'does not do labour'!

The family of the master thus consumes the surplus production and lives with relaxation, luxuries, comfort and enjoyment without 'doing labour'!

This exploitation of labour is possible because there is not even a small piece of land under the control of slaves! There are 100 acres of land under the control of the Master! If we consider the entire society, the entire land is under the control of the master.

Land is the means of production. Those who possess it are Masters! Those who do not possess it are 'slaves'! Those slaves are losing a large part of their labour for the sake of owners.

Here, there is no specific term 'land-rent' as yet.

Later, as a result of the revolt of slaves in the 'slave society', that society changed into feudal (landlord) society composed of classes called landlords and feudal peasants.

The class of 'slave-masters' of the past is the class of 'landlords' (feudal lords) of the present.

The class of slaves of the past is the class of 'tenant farmers' (feudal tenant farmers) of the present. Another name for them is 'serfs'.

Now also, we have to consider 100 acres of land and see how class relations are. To make our example simple, let us say that the whole 'productive power' is as before.

The land under the possession of a landlord is 100 aces even now.

The change that has now taken place is this: Out of those 100 acres, the landlord keeps some part of the land for his family and gives the remaining land to the peasants. He does not give it with full rights. The landlord will have all the rights over the land that he gave to the peasants. The peasants have to cultivate that land and 'maintain' themselves. As the landlord gave that land to them, the peasants have to cultivate the land retained by the landlord. Thus, the landlord's family lives without doing labour as before.

Let us now see this example through the sum of acres: suppose the landlord keeps for himself 78 acres out of 100 acres and distributes 22 acres among 10 peasant families.

Each peasant family gets 2.2 acres. Every peasant family cultivates that land. Out of that land, crop of 0.2 acres constitute the expenditure on means of production and crop of 2 acres constitutes the expenditure on the 'maintenance' of that family (as the 'value of labour power'). In this manner, all the peasant families cultivate their respective land and all of them together cultivate the land of the landlord (78 acres as well).

Now about the 78 acres: in this land, crop of 8 acres constitutes 'expenditure on means of production'. The remaining crop of 70 acres is meant for the family of the landlord!

That is, every thing as before!

Even now, it is the 10 peasant families that cultivated 100 acres in total!

Even now the crop of 10 acres constitutes the expenditure on means of production in total.

Even now, the peasant families get the crop of 20 acres.

Even now the landlord's family consumes the crop of 70 acres!

Everything as before! However, the change that has now taken place is that each peasant family will now have some land. Though that family does not have a legal right over the land, it can establish permanent residence on that land and live by cultivating that land.

But, 'exploitation of labour' has not changed even now. Its 'form' alone has changed to some extent.

From now onwards the term 'land-rent' begins.

The entire land (100 acres) is the 'private property' of the landlord. As the landless peasants are utilising some part of the property of the landlord, they do labour for the sake of the landlord.

The crop in 70 acres constitutes the 'surplus labour' performed by the peasant families. The peasant families hand over this crop too to the landlord's family without using for themselves. This is the 'labour rent' that the peasants pay to the landlord. Which means, it is the rent paid in the form of labour. (Rent in kind).

**Another form of paying 'rent':**

Suppose the landlord gives away the entire land (all the 100 acres) to the peasants on 'rent': 10 acres to each family. The condition is that each peasant family has to pay the crop of 7 acres as 'rent' to the landlord.

Each peasant family cultivates 10 acres. Out of that, crop of 1 acre constitutes the expenditure on 'means of production'. They have to give crop of 7 acres to the landlord. Still the crop of 2 acres remains for the 'maintenance' of the peasant family.

If we calculate the whole thing, every thing will be as before even now.

Crop in 10 acres is—expenditure on 'means of production'.

Crop in 70 acres goes to—the 'landlord's family.

Crop in 20 acres goes to—10 peasant families.

Every thing as before.

Now, the peasants give the fresh crop (produced article) as rent to the landlord. Hence, this is 'rent in kind'. That is, rent paid in the form of a 'product'.

'Rent in kind' is not simply grain. All kinds of articles that the peasant families produce by means of handicrafts can also be rent.

When we speak of 'rent in kind', let us assume the condition to be 'so many bags' instead of 70% of the total crop. When it is a good crop, the portion that remains after paying the rent would be more than before.

Or if crops fail, the portion that remains after paying 'rent' would not be enough even for the maintenance. On some occasions, payment of rent too becomes impossible.

Suppose the peasants have to pay the rent in the form of 'money', instead of the crop. Then, they have to sell the crop of 70 acres and pay that money as rent. (Those who consume that 'rent' alone will buy the crop of 70 acres that the peasants sell. How do they buy? They buy this year's crop of 70 acres with the 'money-rent' that they received the previous year. The peasants pay that money again as the fresh rent. Which means, the people who have money received as rent buy goods daily in the market with that money).

Rent paid in the form of 'money' is 'money rent'. (Or rent in money).

Each peasant family is obliged to sell some portion of its production in order to pay the rent in money. Which means, while beginning the 'production process' it has begin with a 'sale' perspective. Gradually, the tenant peasant families who hitherto did not have considerable market relations will now enter into market relations.

The form of 'rent' has thus undergone changes. But, the essence of all forms is the same. Whatever be its form, rent is nothing but the 'surplus labour' of peasant families. If it is in the form of 'money' it is surplus value.

Tenant-peasants also borrow loans for the cultivation of land and pay 'interest' along with the 'rent', the two together constitute 'surplus value'. It is the rent that remains after deducting 'interest'.

The name of interest during that period is 'usury'.

Which means, it is feudal 'interest'.

Feudal interest + feudal rent = surplus value of feudal peasants.

The surplus production of the slaves would not have the name of 'land rent'.

The term 'rent' came into existence only after the land came into the hands of the people who do labour.

Does the landlord give his labour in return for the 'rent' that he takes from the tenant peasant? He will not give anything. He takes the peasants' labour without giving his labour.

"The landlord is always ready to draw a rent, i.e., to receive something for nothing". (Capital, vol.3, p.771)

Let us consider 'capitalist society' after 'feudal society'. That is, capitalism in the sphere of agriculture as well. Until then, the non-labouring landlord and labouring tenant peasants in the 'sphere of agriculture'!

Now, the 'capitalist' arrives in the midst of these people! What will happen then?

## 1) Enter the 'capitalist tenant farmer'

Even now the landlord has the right over land. Now, the landlord snatches away the land from the 'feudal tenant peasants' and gives it to the 'capitalist' for 'rent'. He takes 'rent' from that capitalist.

The capitalist who takes land on 'rent' will become 'capitalist tenant farmer'. The capitalist tenant farmer himself does not do 'labour'. He makes coolies do labour for him!

Who are these 'coolies'? They are feudal tenant peasants who were until then cultivating that land. They lose their tenancy lands and turn into 'agricultural labourers' who work for wages in the same land.

The entire 'program' would be like this:

The capitalist tenant farmer takes 100 acres of land on rent from the landlord. He begins 'cultivation' activities with some capital. He spends that 'capital' on **c+v**.

The agricultural labourers do the 'labour' and raise crops in those 100 acres.

If the capitalist sells that crop and takes back **c+v** from that 'price', 'surplus value' remains. If he pays some portion of it as 'rent', the balance would remain as 'profit' for the capitalist.

To make our example simple, let us suppose that the 'productive power' is just as before.

Expenditure of means of production.....crop in 10 acres.

Wages of workers..... crop in 20 acres.

Surplus value ..... crop in 70 acres.

But, now the entire surplus value would not consist of simply 'rent' or 'interest'. **The surplus value now splits into not only rent and interest but 'profit' as well.** (We will see the question as to how the landlord accepts this change).

**Feudal tenant farmer:** He himself perform labour. He pays his own 'surplus value' as rent. He lives by the value of labour power. This peasant's family does the work of cultivation simply for 'living'.

**The capitalist tenant farmer:** He does not himself perform labour. He makes workers perform labour and extracts their 'surplus value'. He pays some portion of it as rent, retains the remaining portion as his 'profit' and lives luxuriously with that profit. (If the 'means of production' are borrowed ones, the slave-master, landlord or feudal peasant has to pay the 'interest' from the 'surplus value'. Likewise, the capitalist tenant farmer too does the same thing). There will be no way for the capitalist farmer to live if he doesn't have 'profit'. Therefore, this farmer does cultivation (makes others do cultivation) for the sake of 'profit'. In fact this person is not a 'farmer'. This person does not do any work that a farmer does. But, since this person rents land from the landlord and pays him the rent, he appears to be a tenant farmer. Now, the persons who really do cultivation would be 'coolies' not 'peasants'.

The explanations in the brackets in the following quotation too are those of Marx.

> "The prerequisites for the capitalist mode of production therefore are the following: The actual tillers of the soil are wage-labourers employed by a capitalist, the capitalist farmer who is engaged in agriculture merely as a particular field of exploitation for capital, as investment for his capital in a particular sphere of production. This capitalist farmer pays the landowner, the owner of the land exploited by him, a sum of money at definite periods fixed by contract, for instance, annually (just as the borrower of money-capital pays a fixed interest), for the right to invest his capital in this specific sphere of production. This sum of money is called ground rent, no matter whether it is paid for agricultural land, building lots, mines, fishing grounds, or forests, etc. It is paid for the entire time for which the landowner has contracted to rent his land to the capitalist farmer. Ground rent, therefore, is here that form in which property in land is realised economically, that is,

produces value. Here, then, we have all three classes—wage-labourers, industrial capitalists, and landowners constituting together, and in their mutual opposition, the framework of modern society". (Capital, vol.3, p.618)

Why Marx is referring to '3 classes' is because this is a context where he is discussing the 'landlord'. Since the 'capitalist' too enters into the past relations in which simply landlord, feudal tenant farmer alone live, Marx speaks of '3 classes' in order to explain 3 characteristics. But, since both the landlord and the capitalists earn 'surplus value' alone, both of them belong to the same class. In that sense there are 2 classes in all.

Owing to the entry of the 'capitalist tenant farmer' into the sphere of agriculture, the essence of 'exploitation of labour' does not change at all, but some important changes take place in its 'form'. Those changes are the following:

1)All those who were until then 'tenant farmers' will now become agricultural labourers within that land. The term 'wage' ('salary') which was non-existent until then, will now come into the picture. ('Wage' is calculated daily, and 'salary' is calculated monthly. Whatever way it is calculated, it is simply the value of labour power. The term 'wage' can represent both). Now the land becomes 'alien' to those who do 'labour'. Now they will not have the right to establish their 'dwellings' on some part of that land. Those who do agricultural labour will not have land now not only for cultivation but also for their dwellings. Now they lose direct contact with the landlord and will have direct relations with the 'capitalist', who pays wages to them. They now come under the capitalist's authority whereas they were earlier under the authority of the landlord. Whether they were 'tenant peasants' or 'agricultural labourers', it is always these people alone who do labour.

2) When the population that does agricultural labour loses the rented land' and becomes agricultural labourers, one positive result would be that they will be freed from the responsibility of paying the rent. All the punishments, which they have to face when they fail to pay the rent, would not be there. However, the 'violence' relating to the domination of the Master in the workplace would now begin.

3)Who is the capitalist who enters into the 'agricultural sphere'? Where does this fellow come from? Some of the capitalists who had already earned profits and interests in the spheres of industry, trade and money lending might enter the agricultural sector as well. Some landlords also might begin 'self-cultivation' (while making agricultural labourers do labour for them). A landlord might rent some lands of the other landlord and earn 'profit'. Thus, either those who are functioning as capitalists in other sectors or landlords might transform into capitalist tenant farmers.

4) When the landlord rented out his 100 acres to feudal tenant peasants, we assumed that rent to be 70% crop. But, the landlord cannot take so much rent when he rents out the same land to a capitalist farmer because the capitalist farmer has to get some portion as his 'profit'. Which means, owing to the entry of the capitalist farmer into agricultural sector, the percentage of rent that the landlord gets will decrease. Why does the landlord accept this change? It is because the landlord is not at all aware of this 'change'. This change is not something that took place suddenly in a year or two. Any social change takes place gradually over a very long period of time. Likewise, this change too took place over a long period of time. Just as the highest interest called 'usury' gradually changed as 'bank interest rate' in favour of capitalism, the same thing had happened in the case of 'rent' as well. In the past, usurers and landlords used to get the surplus value (feudal interest + feudal rent) of feudal peasants. Subsequently, when capitalism began in society and after it entered the 'agricultural sector' as well, some share in the 'surplus value' of the agricultural labourers had to go as 'profit' to the 'agricultural capital'. Profit for the agricultural capital is possible only when some portions of exorbitant feudal rent and exorbitant feudal interest become less. Hence, the rent of the past and interest of the past had modified their forms in such a way that they could leave profit for the agricultural capital.

'Usury' transformed into 'bank's interest'.

'Feudal rent' transformed into 'capitalist rent'.

All this change is not something that happened very smoothly, without conflicts.

The section that lives on the extraction of 'rent' argues thus, 'why people get interests and profits? It is too bad to earn them; well, 'rent' is a different thing!"

The money-lenders would despise 'rent' and 'profit' and say, 'interest is a different thing'.

The fellows who live on profits despise 'interest and rent' and say, 'it is a different thing'.

Economists of each section of exploiters will be ready to serve their respective sections.

If one economist defends rent, another fellow supports interest and yet another fellow advocates profit. Many such arguments and counter arguments exist among the economists.

But the actuality is that rents, interests, profits and all such things are the same. All are parts of 'surplus value'. All of them amount to extraction others' labour.

Surplus value of Feudal tenant peasants = Feudal interest + Feudal rent

Surplus value Of Agricultural Labourers = Capitalist interest + Capitalist rent + Capitalist profit.

Depending upon the conditions in society, the distribution of 'surplus value' has been taking place since the slave society to capitalist society and its forms have been changing.

Feudal rent and capitalist rent do not exist in the same form.

Similarly feudal interest and capitalist interest do not exist in the same form.

'Merchant's commission' was present in the past societies also. But, 'productive profit' is a new element for the sake of which the remaining parts of the 'surplus value' had to decrease.

Thus, the form of interest, rent and profit depend on the conditions of society. They can assume any number of forms.

Under capitalism, profit and interest constitute 'dividend'. It means that these elements (profit and interest) had changed into that (dividend) form in accordance with the social conditions of 'joint stock system'. The change in the form can be of various kinds.

In Marx's words:

"There are three main errors to be avoided in studying ground-rent, and which obscure its analysis.

1) Confusing the various forms of rent pertaining to different stages of development of the social production process...

2) All ground rent is surplus-value, the product of surplus-labour...

3) It is precisely in the economic realisation of landed property, in the development of ground-rent, that the following characteristic peculiarity comes to the fore, namely that its amount is determined rather by the independent development of social labour in which the recipient takes no part". (Capital, vol.3, pp.633-36)

The rent that the feudal peasant pays is the own labour of those family members.

The rent that the capitalist farmer pays is not the labour of those members.

Therefore, payment of rent by feudal peasant and payment of rent by the capitalist farmer are not identical. Likewise, payment of interest by feudal peasant and the payment of interest by the capitalist farmer are not identical.

In a society, based on 'private property, we will find calculation of 'rent' irrespective of whoever uses the 'land' for 'whatever' person.

The industrial capitalist, builds 'factory' on the land only.

The trading capitalist builds shops and godowns on the land only.

The agricultural capitalist carries on 'cultivation' on the land only.

None can conduct their activities without 'land'.

If that land were rented from a landlord, 'rent' would go to the landlord. Or, if that land is the own land of the capitalist (that is, if capitalist himself is a landlord), 'rent' would remain with the capitalist without going anywhere. It means that calculation of rent will also apply to the own land and calculation of 'interest' will also apply to the own capital!

**Rent on 'land'!**
**Interest + proft on 'capital'!**
**These are the principal means of exploitation of labour in the society!**

The capitalist, who has his own land and his own capital, would consume almost all parts of the surplus value.

Since calculations of 'rent' are obligatory irrespective of whether the land is rented or not, the question whether the land is rented or not is irrelevant.

The rent paid on the land rented for 'industrial activities' is 'industrial ground-rent'.

The rent paid on the land rented for 'agricultural activities' is 'agricultural ground-rent'.

## 2) How does agricultural capital pay its 'rent'?

This is an important question concerning the discussion on 'rent'. This question sounds very 'meaningless' when we first hear it. There arise such questions as: 'why this question, namely, 'how does agricultural capital pay rent'? The agricultural capital too pays the rent just as industrial capital pays it, isn't it? Then why do we ask this specific question regarding industrial ground-rent?' Though these questions are justified, they are not totally correct. The answer that, 'Agricultural capital too pays the rent just as industrial capital pays the rent' is correct only partially but not fully.

The problem here is this: A landlord has 100 acres of land. The whole of it is in the same area. The landlord rented out 95 acres of that land to a cotton-growing agricultural capitalist and 5 acres to an industrial capitalist who produces cloth. Rent for 1 acre per annum is 10 rupees.

The industrial capitalist started a textile mill on rented land. In that textile mill that runs in 5 acres, spinning (of yarn from the cotton) and weaving (of cloth from the yarn) are carried on. Let us say that the mill requires cotton grown in 95 acres as raw material in order to run like that throughout the year.

Any industry will have to get its raw materials from the 'agricultural land'. The agricultural land that supplies raw material to an industry,

should have to be many times more than the land (area) on which that industry is functioning. It means that in our example, 95 acres of agricultural land is necessary in order to supply raw material to a mill that functions in 5 acres of land.

If an industrial capitalist who rented 5 acres pays 50 rent per annum at the rate of '10 per acre', the agricultural capitalist, who rented 95 acres, has to pay 950 rent per annum. Since rent has to be paid according to the land area, there is no wonder in paying less rent for the land and more rent for more land. It means that both the capitalists are paying the rent on the same condition.

Well then, how does any capitalist pay 'rent'?

He pays it from the 'general profit' that he gets from the capital.

On what factor does the general profit depend?

It depends on the 'magnitude of the capital'.

Details regarding the amounts of capital, which the industrial capitalist and agricultural capitalist invested are not relevant here.

One might have invested any amount of capital, the general profit would be proportionate to that capital. Which means, 'profit rate' would be the same for both the fellows.

It means that, in this example, the industrial capitalist and the agricultural capitalist will have the same 'profit rate'. From the same 'profit rate', the industrial capitalist has to pay '50 rent' only while the agricultural capitalist has to pay '950 rent'! What will happen then? The profits that remain after deducting rents would not be in proportion to the magnitude of the capital. After deducting rents, the agricultural capital will have very low profit rate while the industrial capital has higher profit rate.

If, thus, agricultural capital will have a low profit rate always after deducting rents, why does any capital function in 'agricultural sector'.

This problem arises because the agricultural land whose area is equal to the area on which an industry functions will not be adequate to give raw material to that industry. If the textile mill that functions on 5 acres' land can function throughout the year with the cotton grown in another 5 acres, this problem does not arise. If the rent which the industrial capital

has to pay and the rent which the agricultural capital has to pay were equal, the profits that remain after deducting the rents would be proportionate to the magnitudes of the capitals. Then, capital always gets low rate of capital after paying rent.

But, it is obligatory that the agricultural land, which supplies raw material to an industry, should be many times larger than the land on which an industry functions. Hence, the agricultural capital will have to pay very high rent from its 'general profit'.

How does agricultural capital pay 'high' rent? This is the question.

Another example: suppose there is a rice mill. How much grain does it pound in a year? Does it pound only that much grain, which grows in one acre. Let us say that 30 bags of grain grow in one acre. Does this mean that the rice mill pounds 30 bags of grain only? No. Whatever productive power that the mill might possess, it can pound grain grown in one acre. Which means, in a year (excluding holidays) it can pound the grain that grows in at least 300 acres. It follows that 300 acres of agricultural land is required in order to supply raw material to that mill! If both the mill capitalist as well as grain capitalist have to pay rents from their respective 'general profit', the first fellow has to pay rent for one acre, the second fellow has to pay rent for 300 acres! This is the problem!

The rent is calculated on the basis of the extent (area) of the land!

But, the rent has to be paid from the general profit that comes on the basis of the extent (magnitude) of the capital.

Capital should get 'general profit' in proportion to its magnitude.

If the 'agricultural capital' pays 'rent' from the general profit, the profit that remains for it would always be very little. If this is the case, why does any capital agree to function as agricultural capital?

This problem, which arises in the case of 'rent', will not arise in the case of interest. It is because calculating as well as paying the 'interest' are based on the size of the capital.

Payment of 'rent' and 'interest' is made from out of the 'general profit' that comes in proportion to the size of the capital.

But, while 'rent' is calculated on the basis of the size of the 'land', 'interest' is calculated on the basis of the size of the capital! That is why,

the problem which arises in the case of 'rent' will not arise in the case of 'interest'.

If we assume a 'general rate of profit' and an 'interest rate', the profit rate that remains after paying the interest would be the same for both 'industrial capital' and Agricultural capital'. If we consider the 'general profit rate' and 'rent' per acre, the rent that agricultural capital pays would be high while the profit rate for the agricultural capital would always be very low. Hence, if both kinds of capital should have the same profit rate even after paying 'rent', 'rent' then has to be paid not from the 'general profit rate' but from outside! Which means, the profits that remain after deducting rents should be of equal rate!

We speak of the 'general profit rate' not with reference to the rate that was there before deducting rents but the rate that would remain after deducting rents. Only then would it be proportionate to the magnitude of the capital.

Here, we have to first clarify one thing. The condition that 'some profit rate to any capital' applies to a society where capitalism has developed. The question of 'equal profit rate' applies to industrial and agricultural sectors only when they are in a situation whereby the capitalists of these sectors can compete with each other at least to a minimum extent. When there is not such a situation, the profit rates would invariably be different. But, we are first discussing the question of 'rent' in connection with the law of 'equal profit rate'.

If we classify the entire productive capital of 'society' into industrial capital and agricultural capital, land that agricultural capital uses would be many times larger than that of the industrial capital. Hence, the total of rents that the agricultural capital pays would be many times more than what the industrial capital pays.

Let us say that the total rents that all the industrial capitals together pay in a year are 10 and those of agricultural capitals are 90. It means that the agricultural capital has to pay 80 more rent than the industrial capital.

Industrial capital has to pay 10 rent.

Agricultural capital has to pay 10 + 80 rent.

Up to 10, both kinds of capital are equal. Up to this 10, both the kinds of capitals could pay uniformly from the 'general profit rate'. The

problem is with regard to '80 more' that the agricultural capital has to pay. How should that capital pay that 'excess'? What should happen if that capital has to get 'general profit rate' even if it pays 'more' rent?

How does capital in any branch get 'general profit'? We have seen that this happens due to the transformation of values into prices of production. To this, we have to now add this problem of 'agriculture rent'.

The production that both industrial and agricultural sectors undertake constitutes 'total mass of social production'! That 'mass' includes (1) total capital spent on that mass, and (2) the 'total surplus value' that the capital produced. Both the industrial and agricultural sectors have to take back their respective capital and along with it they have to share that surplus value. While sharing surplus value like that, agricultural sector should get more surplus value as its share so that it can pay 'more rent'. Which means, the price of agricultural commodities should form in such a way that it is able to receive 'general profit rate' despite payment of high rent!

It follows that, if the price of the industrial commodity stands as 'production price', the price of the agricultural commodity should be some what higher than the 'production price'. Only if the price of the agricultural commodity is formed like this, the agricultural capital is able to take the 'general profit' even if it pays high rent.

We can solve this problem by means of an arithmetic sum of class II in a primary school.

Look at this sum: Kamala and Vimala have to share 10 playing-marbles. But according to an agreement Kamala has to get 2 marbles more. How should that distribution be done? Even the 2nd class kids can do this sum. Doing such a small sum is the way to understand the question of 'rent'.

We have to first take out 2 out of 10 marbles and keep them aside. Dividing the remaining 8 marbles equally: 4 for each part. Then add the initially taken out 2 marbles to one part. Then Kamala will get 6 while Vimala gets 4. Total are 10. Kamala gets 2 more than Vimala.

The same thing happens in the case of 'rent'.

The problem will be solved if surplus value enters additionally into the price of agricultural commodity (if the agricultural commodity price forms like this) in as much quantity as the agricultural capital has to pay the higher rent.

Now let us take the example of total social capital and see how agricultural capital can pay higher rent:

Total social capital ..... 800

out of it, industrial capital ..... 500

Agricultural capital ..... 300

The total surplus value produced through this 800 capital is 880.

**Value of the total mass of production:**

800 capital + 880 surplus value = 1680.

Let us say,

the rent that 500 industrial capital has to pay is 10, and

the rent that 300 agricultural capital has to pay is 90.

The 'higher' rent that the agricultural capital has to pay is 80.

Now, we have to take out and set-aside 80 from the total surplus value of 880, and distribute the remaining surplus value of 800 among the social capital equally. Each 100 capital gets 100 surplus value. The general profit rate is 100%. 500 industrial capital gets 500 surplus value and the 300 agricultural capital gets 300 surplus value. Now, we have to add the set-aside 80 surplus value to 300 surplus value that the agricultural capital has to get. Only if prices form in this manner, can the agricultural capital pay a higher rent of 80.

Now let us see how these prices would be:

(Let us treat the entire 'mass of commodities' in a given sphere of production as one single commodity).

The price of industrial commodity:

Capital + General profit

| K | + | P | | |
|---|---|---|---|---|
| 500 | + | 500 | = | 1,000. |

It means that this 'industrial capital' pays its 10 rent from its 'general profit' of 500. Here, 'rent' is not separate. It is merged with 'general profit'.

The price of agricultural commodity:

| Capital | + | General profit | + | Rent | | |
|---|---|---|---|---|---|---|
| K | + | P | + | R | | |
| 300 | + | 300 | + | 80 | = | 680. |

This agricultural capital pays 10 out of 90 of the rent from the 'general profit' just as industrial capital does. It pays the additional 80 out of the portion that is there specifically for rent. Which means, it pays that 'additional' amount beyond general profit. (It is also surplus value). Now, the capital of both the spheres will have the same profit rate even after paying rents.

If we want to see the portion of 'rent' in the 'industrial price' as well, then **P** will decrease and the same stands as **A** part of **R**. Then **P** in the 'agricultural price' also decreases and **R** increases. The prices would be as usual.

Now let us consider the matter so that we can see **R** in both the prices.

The price of the industrial commodity:

| Capital | + | General profit | + | Rent | |
|---|---|---|---|---|---|
| K | + | P | + | R | |
| 500 | + | 490 | + | 10 | = 1,000. |

$$\text{Profit rate for this capital} = \frac{490}{500} \times 100 = 98\%.$$

The price of the agricultural commodity:

| Capital | + | General profit | + | Rent | | |
|---|---|---|---|---|---|---|
| 300 | + | 290 | + | 90 | = | 680. |

$$\text{Profit rate on this capital} = \frac{290}{300} \times 100 = 97\%.$$

Even now, the profit rate for both kinds of capital is the same.

If we see the portion of 'rent' separately in the 2 prices, the general rate of profit appears in a reduced form. Then the portion of 'rent' will be completely outside the 'general rate of profit'.

Or, if we consider the issue in such a way that the portion of 'rent' appears in the agricultural price only, then the 'general rate of profit' will appear somewhat higher. Then, some portion of the 'rent' will be part of the 'general profit'.

The essence of both the examples is the same. We have to understand the example in its own terms.

Both the prices include the portion of rent. The 'industrial price' includes 'industrial ground rent' and the 'agricultural price' includes agricultural rent. Yet, we see the industrial price as **K+P** and the agricultural price as **K+P+R** because the 'agricultural price' includes an additional portion of 'higher' rent.

While the industrial capitalist adds 10 to his price in the name of rent, the agricultural capitalist adds 90 in the name of rent. To the extent of the portion (10) that is equal to both the fellows, both of them pay in the same way from the 'general profit' only. The problem is with regard to the portion of 80, which the agricultural capital has to pay further. Agricultural rent does not simply mean 80 only; but 90. But the problem is not about 90, but about 80! The question, namely, 'how does agricultural capital pay its rent' is not about the total rent but only about the 'additional' portion to be paid. When we speak of 'agricultural rent', it means that we are talking about this 'additional' portion. The portion that has to be added to the 'agricultural price' will stand separately as 'R'. The industrial price' does not include this R. Hence while industrial price is **K+P**, the agricultural price is **K+P+R**.

To say 'that R is present in the agricultural price' does not mean that agricultural capital alone pays the rent and that the industrial capital does not pay the rent. Both kinds of capital pay the rents. However, the 'total of rents' in society appears somewhat less because R does not appear in the 'industrial price'. This is how it happens: If 10 rent appears in the 'industrial price' and 90 rent in 'agricultural price' (that is, if 'rent' is present in both the prices), it will be clearly known that the total of the

rents that the 2 sectors together pay is 100. But the rent that appears in the 'agricultural price' alone is not the total rent.

When we see industrial price as **K+P** and agricultural price as 'K+P+R', the 20 rent, though it does not appear, will not go anywhere. Then it will be merged in the 'general profits', instead of in the portion 'rent'. 10 in the industrial general profit and 10 in the agricultural general profit will be present.

We have been seeing since the beginning that the 'general profit' gets distributed as interest, rent, profit etc. We have to understand this aspect still more properly. The entire industrial rent will be completely present in the industrial general profit. In the case of 'agricultural rent', the entire rent will not be present in the general profit only. Most of it would be present outside. Hence, the formulation that 'rent comes from the general profit only' is not enough. It is not enough if we add the 'general profit' in all the sectors in order to calculate the 'total social surplus value'. We have to add to it the agricultural rent as well. Only then, it become the 'total social surplus value'.

Each branch in the industrial sector takes back its capital and the proportionate general profit through the price of its commodity; pays all those that have to be paid from the general profit and finally retains 'productive profit'.

Similarly, every branch in the agricultural sector takes back its capital, proportionate general profit and some more profit and pays every thing that it has to pay and finally retains 'productive profit'.

However, if the price of the industrial commodity assumes the form of 'production price' only, will it be a violation of the law of value? It will not. This change is something that happens in accordance with the law of 'equal profit rate'.

The portion (80) that goes in the name of 'rent' into the price of the agricultural commodity is also the surplus value produced in the society. If the 2 sectors distribute this 80 too in the same earlier form (at the profit rate of 100%), then 50 has to enter into the industrial price and 30 into the agricultural price. Which means, the industrial commodity price would then rise and the agricultural commodity price decrease. Addition of any portion of 'surplus value' to one sector implies its decrease in another

sector. If it decreases at one place, it raises at another place. If we see all the prices of the 2 sectors together, the total of those prices is the total of 'values'.

Why does value in any branch transform into 'price of production'? Due to the 'general rate of profit'. Now, the formation of agricultural price higher than the 'price of production' is also due to the law of general rate of profit. Hence, that higher price is also like 'production price'. If industrial price gives 'general rate of profit' to the industrial capital, agricultural price also gives 'general rate of profit' to the agricultural capital.

Therefore, even if the agricultural price is higher than the 'production price', it is simply a price that gives a 'general profit rate'.

If we combine industrial price and agricultural price, that will be the total 'value'.

Therefore, there is no violation of law of value here.

None of the classes that buy commodities buy either only industrial commodities or only agricultural commodities. They buy both kinds of commodities. Since 80 surplus value is additionally present in the agricultural commodities, the price of each unit in these commodities will have raised. However, due to this reason only (due to additional entry of 80 surplus value into the agricultural labour), the price of each unit of industrial commodity will have decreased to some extent. It means that the consumers of these commodities buy industrial commodities at a somewhat lower price even though they buy agricultural commodities at a somewhat higher price. Hence, the influence of the price of the agricultural commodity on the daily life will be nothing since it is somewhat higher than the production price.

Except while discussing 'rent' in detail, it is not necessary to take into account in other contexts the law that 'the price of the agricultural commodity is higher than the 'price of production'. In other contexts, to make our example simple, we have to treat the agricultural price as 'production price'.

The rent that the industrial capitalist pays is part of surplus value of the industrial workers.

The rent that the agricultural capitalist pays is part of surplus value of the agricultural workers.

So far we have assumed that there is a uniform 'rate of rent' (as if it is 10 rent per acre at both the places) in industrial and agricultural sectors. But what will happen if there is a higher rate of rent in the industrial sector?

The land that a branch in industry uses is 1 acre. Its rent is 200. The land that a branch in agriculture, which produces raw materials for that industry is 90 acres. Here rent per acre is 10. Which branch should pay higher rent? How much higher?

Rent that an industrial branch has to pay is 200. The interest that an agricultural branch has to pay is 90×10=900. If the rent is 200 in an industrial branch while there is '10 rent' in agriculture, it means it is 19 times higher. Though the industrial rent is so high, the agricultural branch alone has to pay higher rent (700 more). If the industrial rent is much higher, the difference between the rents of the 2 sectors would decrease a little. However much the difference decreases, the rent which the agricultural sector has to pay will be greater.

## 3) From where does that 'additional (surplus) rent' come?

We have seen that, if the agricultural capital has to pay 'additional' rent, an 'additional' portion from the 'social surplus value' would have to enter the agricultural price. Where is that 'additional surplus value', which enters into the agricultural price, produced? Is it in the agricultural sector or the industrial sector? The answer to this question depends on the 'composition' of capitals of agricultural and industrial sector in society. (We have seen 'composition of capital' in great detail in the chapter 'Capitalist price' in part 2 of volume 2)

'Composition of capital' means the proportions of 'constant capital' and 'variable capital' in a given capital.

The productive capital of a given country will have an average composition (this is arrived at by taking an average of the compositions of all the branches) depending on its 'productive power'. This is 'composition of social capital'.

If the composition of capital in an individual branch is higher than

the 'social composition' it is 'higher composition'. If it is lower, it is 'lower composition'. (Generally speaking, higher composition means too much of constant capital and too little of variable capital. 'Lower composition' means less 'constant' and more 'variable' or, even if constant is more than variable, the difference between the two is not much). While the rate of surplus value in the branches with higher composition is low, it is high in the branches with lower composition.

If prices have to form in such a way that the capital of all branches has to share the surplus value of all the branches, some portion of the surplus value produced in the branches with lower composition has to go into the branches with higher composition. We have already seen all this before.

Generally, in any country, (even in the 'developed' capitalist countries) the composition of the industrial capital would be of higher composition and the composition of the agricultural capital would be of lower composition. (Even in the 'agricultural sector, in branches like animal husbandry, 'constant' portion would be higher than the 'variable'. But this is not a general condition applicable to the entire agricultural sector). Since the composition of 'agricultural capital' is 'lower', more percentage of surplus value is produced in the agricultural sector only. Though the prices of agricultural commodities form somewhat higher than the 'production price', that price would be very much lower than the 'value' of that commodity. The portion that is higher than the price (that is, the difference between the 'price' and 'value') enters into the 'industrial price' in accordance with the law of 'general rate of profit'. Which means, some surplus value goes into the industrial sector from the agricultural sector.

It follows that the entire agricultural rent is paid from the surplus value produced in the agricultural sector only. That is, from the surplus value that the agricultural workers give. The portion that still remains in the agricultural sector keeps going into the industrial sector. All this happens through competition among capitals for 'equal profit rate', that is through price formation.

If we assume that the compositions of both industrial and agricultural sectors are identical, the 'rate of surplus value' in both the sectors would be identical. Then, if the agricultural sector has to pay additional rent,

some surplus value from the industrial sector has to go to agricultural sector. Which means, then, in order to pay agricultural rent, not only the surplus value of the agricultural labourers but also some portion of the surplus value of industrial workers too should come.

But as long as agricultural composition exists as lower composition, the surplus value of agricultural labourers alone will be going into industrial sector.

Competition for equal profit rate in the sphere of industry and agriculture in a given country is possible only when capitalism has developed to a sufficient level. Then capitals compete for the 'profit rate' and are able to extract surplus value equally.

In countries where capitalism has 'not developed' in the agricultural sector, agricultural commodity prices will not be at such a level that they could secure general profit for the agricultural capital. That is, the agricultural prices would be at a lower level only. But, it is obligatory to pay rent even in such a situation. The profit that remains after paying 'agricultural rent' from that 'low price' will be at a low level.

Suppose in some country, small size tenant peasants who do labour constitute the majority in the agricultural sector. The agricultural prices there would be such that the balance amount after paying 'rent' etc., is equivalent only to the 'value of labour power'. It is because the productive power of the small-size tenant peasants would not be in a position to compete with the industrial capital for an equal rate of profit.

Let us suppose that there are capitalist farmers and small-size tenant peasants who do labour in the agricultural sector of a given country. The productive power of the capitalist farmers would be somewhat better. If they can compete to some extent with the industrial capital for an equal rate of profit, agricultural prices would be somewhat higher (so that those prices fetch them general profit). Even then, the small size tenant peasants will not get more than the 'value of lower power'. They may however, receive a little better 'value of labour power'.

Suppose there are also 'independent peasants' along with these tenant peasants. It means that these people have smaller pieces of land. These people need not pay the rent. Hence, that part remains for them and they would be in a better position than the tenant peasants.

When the small size tenant-peasants and independent peasants constitute majority in agricultural sector, it is enough if they get the value of labour power so that they can carry on production. They do not give up cultivation on the ground that they have not secured 'high profit rate'. The industrial capitalists would make use of this situation. They sell industrial commodities at higher prices and buy agricultural commodities at lower prices. They deny higher prices to the agricultural commodities. Small-scale peasants cannot live without selling their commodities even at a lower rate. Thus, a large amount of surplus value flows from the agricultural sector to the industrial sector.

It does not mean that a given country has turned into a capitalist country as soon as the system of wages in the 'agricultural sector' began. The important feature is the relations in which the major portion of the total land is cultivated. Whether feudal peasants constitute majority or small scale independent farmers constitute majority or capitalist farmers constitute majority? Along with these facts, another fact is also important, namely, 'how far the working conditions¾like wages of agricultural workers, working hours and rights¾have developed'.

## 4) Differences in the agricultural rent

So far we have seen the differences between the 'industrial ground-rent' and 'agricultural ground-rent'. Now, we will see differences within the 'agricultural ground-rent'.

The differences within the 'agricultural rent' mainly depend on the natural fertility of the lands. 'Fertility' means existence of plant nutrient content and chemical composition of the soil. The entire land will not be uniform in respect of 'fertility'. While certain parts of the land are very fertile, certain parts will be very infertile and certain other parts will be of average fertility. Thus, lands will be of various kinds.

Since all the lands are not uniform, their rents also will not be uniform. Less rent for less fertile land and more rent for more fertile land.

(Land consists of natural matter. Whether its fertility is less or more it is part of 'nature'. Whether less crop is grown or more crop is grown due to the labour performed on the land, it is the fruit of that 'labour' only. The entire crop that remains after deducting the portion of 'means

of production' should belong to the labourers only and not to the landlord who does not do labour.

One of the important questions concerning 'rent' is: 'how does a fertile land pay additional rent'?

While less fertile land yields less crop, more fertile land gives more crop.

If low rent is paid from less crop, high rent has to be paid from more crop. It is possible to pay so.

All this appears in daily life. But, it is not enough to know these things at a 'commonsense' level. We have to understand this at the level of examination of 'value'.

Let us take 3 kinds of land (soil), namely, A, B, and C. A's soil is infertile. B's soil is fertile. C's soil is of average fertility.

Some prerequisites: All lands taken in the example are of the same size. The same kind of grain grows in all the lands. Capitalist farmers alone have rented all the lands. Same size of capital is invested in all the lands. (It is possible to say that there are differences in fertility of the lands only when the size of the land and the size of the capital spent on it are identical and the quantity of crops are different. In daily life, the sizes of the lands, amount of capital invested and crops grown will be very different. Yet, we can reduce all the aspects of those differences to a particular size and arrive at unit-wise calculations).

Grain grows once in a year. Rent is also paid once in a year. That is, some rent goes from each crop.

The rent of **A** is lowest of all. The rent of **C** is highest of all. **B**'s rent is of average quantity.

Let us say that the rents of these lands are as follows.

Rent for the land **A** ..... 2

Rent for the land **B** ..... 12

Rent for the land **C** ..... 22

(We have assumed these calculations only to illustrate our example. We have to consider only the 'essence' of the matter. It does not mean that there is so much difference between the rent of a fertile land and

infertile land. The essence of the matter is simply that there would be a 'difference').

Since the rent of **A** is the lowest of all, this alone is the 'general' rent. It is 2.

**B** too, while paying general rent, also pays 'surplus' rent. The general rent is 2. The additional rent is 10.

The general rent of **C** is 2. The additional rent is 20.

(General Rent = Absolute Rent = A.R.

Additional Rent = Differential Rent = D.R.

Total Rent = Rental = R.

'Renting' out the land, or

'Leasing' out the land—both mean the same).

All lands have to pay general rent.

**B** and **C** too have additional rent also.

Additional rent is more in **C** than in **B**.

How does agricultural capital pay its rent? (How did we see this question?) We have seen that it pays with the portion meant exclusively for rent in the agricultural commodity price over above the general profit. But will that portion of rent in the 'price' be enough only to pay the general rent or 'additional' rent? That portion represents 'general rent' only. Every land pays only its general rent with the portion of 'rent' in the price. The land that has to pay additional rent would pay it in 'another way'. (We will see later how it does so).

Suppose crops in the lands A, B and C are as follows:

| | |
|---|---|
| Annual crop in **A** ..... | 1 bag of grain |
| Annual crop in **B** ..... | 2 bags |
| Annual crop in **C** ..... | 3 bags |
| Total ..... | 6 bags |

(We supposed that these 3 lands function with capital of the same size. However, the capital expenses will be uniform only until crops are grown. If the quantities of the crop are different, all the subsequent

expenses will be different. Beginning from the harvesting activities, the expenditure will be on 1 bag in **A**, on 2 bags in **B** and on 3 bags in **C**. Which means, the land in which more crop is grown will incur somewhat more expenditure. Yet, to make our example simple, we take into account the capital of the same size in all the lands.

Suppose the entire crop grown in all the 3 lands is needed for society. Which means, crop should also grow in infertile land **A** for the market demand.

About the land A:

If a capitalist farmer wants to rent **A** and raise crop in it, the price of the grain should form on the basis of production costs concerning that land. Which means, that price should be enough to get back the capital, to receive the general profit and in addition the general rent.

Suppose capital spent is 8. Its symbol is **K**. Suppose the general profit on 8 capital is 5. Its symbol is **P**. General rent is 2. Its symbol is **A.R**. All these together form into the price of the crop grown in **A**.

Crop in **A** — 1 bag of grain.

The price of this bag = 8K+5P+2A.R=15.

Any capitalist would rent **A** and cultivates it only if 1 bag of grain will have production price of 15. It is not possible to receive 'general rate of profit' by cultivating **A** if the price of the grain is less than 15. Hence, if it is necessary to cultivate the infertile land also in order to satisfy the demand of the society, the price of the grain has to form on the basis of production costs incurred on that land.

The same price applies to the grain in other lands.

About the land B:

The crop in this land is 2 bags. The capital here is also 8. Since 2 bags are produced by that capital, the cost price of 1 bag is 4. (If we assume somewhat more expenditure on the more crop here, even then, the cost price of 1 bag here would be less than in **A**). Here, the price of a bag will not decrease if the cost price for 1 bag decreases. The price of one bag is 15 here as well. This capitalist gets 30 for 2 bags. Out of it, he pays 'additional rent'. But, this 'explanation' is not adequate.

Here also, let us first see the case of only one bag as we have seen in the case of **A**. In the price 15 of first bag, there are 8 capital, 5 general profit and 2 general rent. Here if there is no scope to get additional crop, only these 3 aspects will be present; 'additional rent' will not be there. But, here, there is 'additional crop due to the difference in the soil fertility. Hence, payment of 'additional rent' is also made through 'additional crop' only. We have to assume that the capitalist farmer paid 'additional rent' from 15 of the 2nd bag. As the capitalist farmer has to spend some additional capital, let us suppose it to be 3. As he has to secure 'profit' on that capital also, let us suppose it to be 2. It means that there still remains 10 after deducting 3K+2P=5 from 15 of the additional crop. This itself is 'additional rent'. If we assume that this entire 10 would not constitute additional rent but only 7 constitutes additional rent, then the remaining 3 is the 'additional profit'. The capitalist farmer might earn some 'additional profit' through 'additional crop'. Though 'additional crop also includes some portion that the capitalist takes, we assume, for the sake of simplicity of example, that the entire portion that remains after deducting additional capital and its profit, to be 'additional rent'. Hence, the 'additional rent' in the land **B** is 10.

About the land **C**:

Here crop is of 3 bags. Out of these, 2 bags constitute additional crop. Production of 3 bags by 8 capital here implies the reduction of cost price of 1 bag compared to **B**. Yet, the price of the bag here as well is 15 only.

The 'price 15' of the first bag includes 8 capital, 5 general profit and 2 general rent.

This land has to pay still '20 additional rent'. Here, the additional rent consists of 2 bags. Their price is 30.

Let us say, it costs 6 capital additionally for this additional crop. Its profit is 4. If we deduct this '6K+4P=10' from 30, there still remains 20. This alone is the additional rent for this land.

In this way, since additional crop grows with less capital in a 'fertile' land, it is possible to pay 'additional rent' by means of that 'additional crop'.

The total crop raised in all the 3 lands taken together is 6 bags. Their price is 6×15=90. What is the portion that consists of rents and general profits? What is the total of all the capitals? (Let us say 'capital' consists of 'constant' portion and 'variable' portion).

| Type of soil | Capital | General profit | General rent | Additional rent |
|---|---|---|---|---|
| A | 8 | 5 | 2 | — |
| B | 8+3 | 5+2 | 2 | 10 |
| C | 8+6 | 5+4 | 2 | 20 |
| | 33<br>17c+16v | 21 | 6 | 30 |

Price of the total grain — 90. Bags—6.

Capital spent on it — 33.

Out of it, constant—17, variable—16.

General profits plus rent=21+6+30=57.

If capitalist farmers could grab some 'additional profit' from the 'additional rent' of 30, things will not change at all. Then, additional rent decreases and portion of profits increases. That's all.

The total of rents that goes to landlords and profits that go to the capitalist will be 57. That is, nearly 4 bags.

Constant capital— '1 bag'. Wages—1 bag.

Even if the total grain consists of 6 bags, if we deduct 1 bag as constant capital, the remaining 5 bags represent the labour of agricultural workers only.

Which means, the fruits of the labour of agricultural workers are 5 bags in all. Out of this, they get only 1 bag as 'wage' and the remaining (4 bags) go as rents and profits.

In the example so far seen, supply of grain is 6 bags. Since this supply is necessary to satisfy the demand of the society, the production costs of infertile land **A** alone determine the price of the grain.

Let us say that the demand in a society is met with 5 bags only. In such a situation, the demand will be met with the crop raised in **B** and **C**. Then the production costs of **B** alone determine the price of the grain. The same price applies to lands **A** and **C**.

That price forms as follows: the crop in the land **B** consists of 2 bags. Capital is 8K+3K=11K. General profit is 5P+2P=7P. General rent is 2. All these components together are 11K+7P+2A.R.=20. This is the production cost of 2 bags. Hence, price of 1 bag=10.

If the price of the grain forms through **B** instead of **A**, how would that price be? Since additional production comes from **B** (more than from **A**) with less cost, production cost decreases and thereby price also decrease. If the capitalist farmer sells 2 bags for 20, it is possible to take back capital out of it, pay general rent and get 'general profit'. There will not be 'additional rent'. Which means, now **B** stands as a land that gives general rent.

Now, **C** alone gives some additional rent. That will be less than before.

3 bags grow in **C**. Hence, the cost price of 1 bag here decreases than in **B**. Yet, if the capitalist farmer sells this crop at the rate of 10 per bag, it is possible to pay some additional rent after deducting capital, general rent and general profit.

Let us now see the land **A**. The price of the bag is 10 only. The crop in **A** is only one bag. While this is the situation, if a capitalist rents **A** and cultivates it, he would get 8 capital and 2 rent from the '10 price'. He will not get any profit. It is not possible for the capitalist farmer, who has to live on 'profit', to rent **A**. However, it is possible even now for the peasant family, which does labour, to rent **A**. 8 capital includes the 'value of labour power'. Hence, if a family that does labour rents **A** it can live on it and can also pay 2 rent. It is not possible for a family that labours if the price of the grain decreases than 10. It is because then it can not pay 2 rent. In such conditions, this land will remain uncultivated or rent will decrease.

Let us say that the price of the grain has decreased while there is an agreement over 'rent'. Yet, it is obligatory to pay rent according to the agreement. Then the profit of the capitalist farmer decreases.

If the fall in the price of the grain continues for a long time, rents too decrease.

The differences in land are not simply due to 'soil infertility'. They arise due to such natural specificities as water falls, lakes and mines.

By means of special resources of nature, landlords earn additional rents and capitalists earn additional profits.

Another factor that determines the 'land rent' is the 'location' of the land. If a land is situated in a good location, it means that it is closer to irrigation facilities, highways and markets. The capitalist farmer has to pay additional rent because the land is situated in such a location. Owing to the good location of the land, the capitalist who rents such a land incurs less expenses and cost price decreases. But, as he sells that grain too at a general price, it is possible for him to pay additional rent from that price.

But,when irrigation facilities, markets and transport facilities emerge at every place, even locally, the specialty of the location diminishes or vanishes fully and thereby the additional rent too disappears.

A land is very fertile and it is also situated in a good location. In such a case, rent will be very high.

Land is very fertile, but location is bad. Rent may be moderate.

Land is very infertile. Moreover location is bad. The capitalist will not take even a side-glance. If you want him to look at it, rent should be very low.

(In the case of industrial rents, the question of 'soil fertility' does not arise. Only the question of 'location' arises).

Capitalist farmers adopt various methods to secure additional profits. Cultivating more land and reducing cost is one way. If we assume that 1 acre of land requires 100 capital, 2 acres do not need 200 capital. 3 acres do not at all need 300 capital. As the number of acres increases, costs decrease and the cost price per bag decreases. Every capitalist cannot do like this because it is not simply a problem of 'capital'; problem of 'land' is more important. Land is not available as much as necessary. Hence another way is to invest more capital in less land and raise more crop. If this can be done, the burden of renting more land and paying additional

rent will not be there. Therefore, the capitalist farmers generally follow the ways of dumping more capital and getting additional crop.

What will be the situation if a landlord undertakes self-cultivation without giving it to any capitalist for 'rent'? There will not be any change. Then the landlord, in addition to being a landlord, would also become a capitalist farmer. That is the only difference! No other changes would take place. Then the landlord himself has to invest capital. Finally, the landlord himself takes rent in his capacity as a landlord and profit in lieu of his right over the 'capital'. The landlord has to get these 2 items through self-cultivation.

Things will not change the whether landlord turns into a capitalist by starting self-cultivation or the capitalist himself buys land and turn into a landlord.

Suppose the landlord rents out his land to a peasant family that performs labour and he himself invests the entire capital. The entire 'labour' is that of the peasant family! Now, what the landlord gets is rent for the land and profit for the capital! The labouring family gets simply the value of labour power as before.

There are innumerable examples whereby capitalist farmers lease lands, mines and forest from the government apart from the private landlords. The lease price, which the government collects from the capitalist, is disgustingly low. It is either one rupee or 2 rupees per acre. Lease price of the mines too will be little. Lease period is generally 99 years! In this manner, families of the capitalists who are able to get hundreds of acres of different kinds of lands from the government for lease swallow all those rents and profits for themselves without the menace of paying rents and live happily in comfort and luxuries for generations.

Let us suppose that in the agricultural sector of a given country, there remains feudal tenancy system even after the establishment of capitalism. Let us say that the price of the grain is such that it gives both 'general profit' and 'rent' as well. Even if this is the situation, the feudal peasant's family will get no specific benefit from this because feudal peasants have to cultivate with their own labour. They cultivate as little land as possible; that too with low level means of production. Which means, feudal peasants do not have as much productive power as the capitalist farmers have. Feudal peasants can not cultivate with as little

cost price as the capitalist farmers can produce. Hence, the portion that remains for the feudal peasants, after paying rent from the price of the grain, will not be much. That is, just as the capitalist farmer gets profit after paying rent, the self-labouring peasant will also not have any profit after paying the rent. He will not have anything as his own surplus value.

Suppose a peasant family, which performs labour, has some 'own land'. This family need not pay the 'rent'. Therefore, this family can use more products than the peasant family that pays rent.

There is another question concerning 'rent', namely, how is the portion of rent in the surplus value determined?

We have seen the same kind of question in the case of 'interest'. We have seen 'how the portion of interest in the general profit determined. The answer, which we offered at that time, will be enough now even for 'rent'. Just as there is no natural basis to fix 'interest rate, there is no natural basis to fix 'rate of rent' as well. These are the portions that form merely arbitrarily (as some quantity).

Either 'rent', 'interest' or 'profit' are not things that are made of labour. Hence, there will not be any rules that fix the quantities. The only 'great' rule is exploiting and sharing somehow or the other the total surplus value under those 3 names from the working class!

There is a natural rule regarding the size of the 'surplus value'. The labour that the entire 'productive working class' of the industrial and agricultural sectors consists of some crores of working days in certain definite measures. Of that labour, the portion, which that class receives, in the name of 'wages' too will be of a definite measure. Hence, the 'social surplus value' will be of a definite measure. There are no natural rules that fix the sizes of those portions irrespective of whatever name the grabbers of that social surplus value give to whichever portion. Those portions depend on past conventions (these conventions too had formed arbitrarily) and gradually change in accordance with capitalism.

The entire surplus value in the slave-owning society belonged to the slave-master. There is no portion of 'rent' in it. If 'interest' were there, it constitutes some portion of the 'surplus value'.

Rent and interest in feudal society constitute some portions of the 'surplus value'.

In the capitalist society, the entire surplus value should exist not only in the form of rent and interest but also in the form of 'value'. Hence, the portion of rent and the portion of interest change to some extent in accordance with that situation. Thus, the 'surplus value' gets distributed in some form or the other in accordance with the mode of production.

The portion of 'surplus value' in the 'labour time' of the labourers would be very large in the capitalist society than in the past societies since 'productive power' is very high in the capitalist society. As the 'productive power' increases, 'the portion of the necessary labour' in the labour time of the labouring person decreases and the 'portion of surplus labour' increases.

In the earlier societies, surplus labour used to consist of simply 'rent + interest'.

In the capitalist society, surplus labour consists of 'rent + interest + profit' (we have left out costs of circulation, taxes etc., at both the places. These are also parts of surplus labour only).

Either in the past times or in the period of capitalism, the grabbers of 'surplus value' fight among themselves and grab as much of surplus value as possible. The portion that they are able to grab depends on the strength of their attempts and there would be no natural limits to those portions. The only rule is that 'all those portions together constitute surplus value'. That's all!

## (1) Average rent and rate of rent:

If we divide the 'total rent' by the number of acres, we get the 'average rent'.

The percentage between the 'total rent' and 'total productive capital' is the 'rate of rent'

We may see these things by considering merely the agricultural sector. Or, we may consider both agricultural and industrial sectors together. Answers depend on the example that we take.

We can compare rents in different countries in the same period of time; or in different regions of the same country.

We can compare rents in different periods of time in a given country or in the given regions.

## (2) Land price:

According to the law of value, things made of labour alone will have 'value'.

Land is not a thing that is made of 'labour'. It is natural matter. Therefore, land should have no value and no price.

But, under an exploitative system, along with the right to occupy land as 'private property', all the rights such as right to rent out the land, 'right of inheritance' over the land, the right to sell or buy the land etc., had formed.

The existing average rent and the interest rate are the main factors in the formation of land price.

Suppose the existing average rent (for a given kind of land) is 200 per acre per annum. The existing interest rate is, let us say, 10%. What could be the land price?

The landlord gets 200 income (rent) from his land, isn't it? If the fellow sells that land and lends that money, he should get 200 income (interest) from that money as well. That is, the land price should be able to fetch him 200 interest.

To get 10 interest, there should be 100 money.

To get 200 interest,

$$\frac{100}{10} \times 200 = 2{,}000.$$

This alone is the land price. That is, the price of an acre.

If he sells 1 acre for 2 thousand and lends that money at the rate of 10% interest, he would get 200 income per annum. Since it is the same thing whether 200 rent comes from that land or 200 interest from the money of its sale, a price of 2 thousand per acre forms in this example. On the price so formed, 'supply and demand' act. Then that price might vary a little this way or that way.

If we disregard 'supply and demand', the 'capitalised rent' itself is the land price. Which means, land price is that capital (2 thousands) which possibly fetches the same amount of income (200) as the renting of the land fetches.

In Marx's words:

> "Ground-rent assumes the form of a certain sum of money, which the landlord draws annually by leasing a certain plot on our planet. We have seen that every particular sum of money may be capitalised, that is, considered as the interest on an imaginary capital. For instance, if the average rate of interest on a capital of 4,000 pounds. Ground-rent so capitalised constitutes the purchase price or value of the land, a category which like the price of labour is *prima facie* irrational, since the earth is not the product of labour and therefore has no value. But on the other hand, a real relation in production is concealed behind this irrational form". (Capital, vol.3, pp.622-23)

By 'price of land is irrational like the price of labour', Marx means that 'the price of the labour is also irrational'! The 'price of the labour' means 'wage'. If a person does labour for 8 hours, that person should in return get again 8 hours of labour, isn't it? The remuneration for 'certain amount of labour' is the same amount of labour, isn't it? A given amount of labour is equal to the same amount of labour. But, the wage that the capitalist gives in the name of 'price of the labour' is not equal but lower than the labour that a labourer gives. Which means, 'more labour' will have 'less labour' as its price. That is why, the term 'price of the labour' is meaningless and irrational. Similarly, rent is also irrational in the sense of 'taking something without giving anything. Likewise, land possessing 'value' too is irrational.

The land that is not yet cultivated does not have rent at all. Yet, the price of the land that is not under cultivation is also fixed by the prices of land under cultivation. However, since it involves some labour to convert 'raw land (uncultivated land) into cultivable land, the price of the raw land will be somewhat less than the land under cultivation.

Since it involves some labour to prepare the raw land for cultivation, payment of price to a cultivable land outwardly appears to be rational. But, there are 2 things here.

1) Suppose there are trees and the like, stones and the like, ditches and the like throughout a given raw land. Let us say that some period of time to prepare it for cultivation is needed. Suppose the total value (including surplus value) spent in that work is 100 rupees. We can pay this value alone for that land. But, the price of the land will not be like

that. It does not depend merely on the expenditure incurred in preparing the land for cultivation. The price of the land depends on the 'capitalisation of the rent'. That is, one has to pay even the expenditure that has not been spent on the land.

(2) Another aspect is that if we buy some 'article' for some price and use it, that article will be completely spoiled after sometime. But, it does not happen so in the case of land. Land is imperishable. If a person buys the land once for some price, that person will not lose the right over the land even after taking back the crop that is equivalent to that price. That person acquires the 'ownership' right over the land for generations, just because he paid the price only once. This has nothing to do with 'labour'. Hence, the right should be such that one should have the right to do labour on the land. Such a right is justifiable. Occupying land as 'private property' simply by 'ownership unconnected with labour is in no way rational.

In the view of the class that earns 'property', 'property in land' is more 'secure' than the 'property in money'. If it is 'money', there is a danger of depreciation of its value. Land does not have such a danger. Therefore, the class that accumulates 'property' competes within itself for accumulating property in land.

Just as one can do 'business' with any 'commodity', one can constantly engage in business and speculation with regard to land that has turned into a commodity.

Suppose a person bought 1 acre of land for 2 thousands and rented it out. Since that person spent 2 thousands to buy that land it appears as though that person justifiably acquired the right to get the 'rent' of that land. It is a 'justifiable right' if we look at it on the basis of 'property right'. But, the actual question is concerning that 'basis'! That 'basis' itself is unjustifiable. Each grain and every paisa that a person receives in the name of 'rent' is the labour of others.

Depending upon the source of the money spent on buying the land, the justification of the right to get 'rent' changes to some extent.

Suppose a landlord (a landlord's family) confiscated with force the land under the possession of a self-labouring family (here, it is not necessary how this happened) and rented it out. In this example, the

landlord does not have a justifiable right to receive even a single paisa as rent.

Or, let us say, a person bought the land with some money from his income through 'profits' or 'interests'. 'Money' means 'labour'. That labour is not his own labour. It means that he bought the land with money that he earned by exploiting workers. Therefore, the person who bought the land through such a source has no justifiable right to receive even a single paisa as rent from that land.

A worker's family saved some money from the wages, which its members earned through their labours and purchased some land for 2 thousands. They rented it out at the rate of 200 per annum. That family earned that money, with which they bought the land, by means of their own labour. Which means, that family gave its own labour of 2 thousand value and bought the land. Hence, that family has the right to take back its labour. It follows that the family will have the right to receive the rent until it gets back 2 thousand money through the land. That family can take rent from that land up to 10 years. By then, the labour, which that family performed will have returned. Thereafter, that family too will not have the right to receive rent. From that moment, that land should belong to the tenant-peasant family since that peasant family had already paid the entire price of the land. If that peasant family continues to do self-cultivation of the land, that land can belong to the peasant family for any longer period. They need not pay rent to any one.

But, none of these justifications apply on the foundation of 'property right'. Once a person occupies the land or once he purchases it, his right over the land will not cease to exist after some period of time. The right to receive rent will continue for any longer period of time. One can acquire it as 'right of inheritance'. Which means, the right to consume land rent is handed over from one generation to another of he landlord's family.

> In Marx's words: **"From the standpoint of a higher economic form of society, private ownership of the globe by single individuals will appear quite as absurd as private ownership of one man by another. Even a whole society, a nation, or even all simultaneously existing societies taken together, are not the owners of the globe.** They are only its possessors, its usufructuaries, and, like boni patres familias, (Good heads of the household) they

must hand it down to succeeding generations in an improved condition". (Capital, vol.3, p.776).

'Good heads of the household' hand over the land to the next generation as a 'right of inheritance'. It is a family affair. But, here, handing over the land has to be done with a sense of 'social responsibility'! The generation that first emerged on the earth has to use the land and take care of it. 'Land' always exists; but generations go on passing! People of any generation are not 'owners' of this earth. They are merely its 'users'. Occupying land as 'private property' in the name of right of inheritance had emerged from the system of exploitation only.

While, for the person who got the land by inheritance, 'rent' appears to be the income that the land itself gives; for the person who bought the land with some money, rent appears to be the 'interest' on the money that he spent. Both are wrong perceptions. Neither the land nor the money that bought the land gives 'rent'.

It is the 'labour' that cultivates land which gives 'rent'! Rent is a piece in the portion of the labour, which the capitalist farmer is able to exploit.

## (3) Price of a slave:

Possession of land as private property by separate individuals is as irrational as possession of one human being as his private property! Marx is saying this, isn't it? In this context, while seeing the 'price of land', let us also see the 'price of the slave'.

Suppose, a slave master has bought a slave for '100 money'. (Let us say that the master earned that money either as land-rent or as interest).

The master engaged that slave in the agricultural work. Grain grows by means of the labour of the slave. What remains after deducting some part for the sake of the slave's maintenance from his living labour is the 'surplus labour' that the slave gives. Or, it is 'surplus production'. If the master sells it, the same would be 'surplus value'. Let us suppose that the master gets surplus production of '50 value' through that slave.

The question here is, what is the element of the production process on which the master laid the 100 money, which he spent on buying the slave? Is it on the 'means of production' or on 'wages'? (Is it on **c** or **v**?) Will that '100 money' return to the master? How will it return?

Answer: The money spent on buying the slave does not fall under any item of the production process. As the slave does not come under the category of means of production, that money does not amount to have been spent on an item under **c**. The master has to buy separately all the means of production necessary to carry on agricultural activities. For example, if the master laid some money on the oxen that plough the land, it would amount to have been spent on the fixed means, within **c**. The entire cost of maintenance of the oxen would come under **c** only. But, the cost of buying a slave does not come under **c**.

Moreover, the cost of buying a slave does not come under **v** as well. The labour that a slave performs includes **v** as the entire maintenance of the slave. There is no connection between this **v** and the '100 money' that was spent on buying the slave.

We supposed the **s** given by the slave as 50 per year. The master will be taking this. There is no connection between the 100 money spent on buying the slave and the 50**s** given by the slave every year. They are entirely different things.

Suppose the master understands the whole thing as follows: "I spent 100 money to buy the slave. Every year, I get 50 from the slave. I take back my money spent on the slave within 2 years". If the master thinks like this, it is a very wrong calculation. It is because, let master get 50 per year through the slave again.

Slave is property. That money comes back only when that property is sold. This is just as the case of property in land.

The master who bought the land can get back that money only when he sells the land. Until that time, the money earned through that land comes under a different item; but it does not mean that he has taken back the money with which he bought the land. The case of the slave is just as the case of the land. Either the money spent on buying the land or the money spent on buying the slave will not amount to have been spent on means of production or wages. That is, it will not come either under **c** or **v**.

## (4) 'Land-rent' within the 'house-rent':

House is an 'article'. That article exists on the 'land'. That land will have 'rent'. Therefore, some portion of the house rent exists in the

form of 'land rent'. It means that those who consume house rent are also consuming land-rent. The system of letting out houses and renting houses are part of the system of 'private property'.

Some workers, while working in towns, may rent out very small pieces of lands, which they have in villages. Similarly, some workers might let out their houses also for rent. In this way, some workers might consume some 'rent'.

But, if we take the sum total of rents in the society, the portion that the workers get out of it is equal to nothing. It is not at all countable. It is landlords alone who consume all the rents.

## (5) Each will get the fruit of his own labour; but...

There are 2 independent peasant families. They have lands of the same area. The land of the family **A** is very fertile. It is situated in a favourable location. The land of the family **B** is very infertile. Moreover floods, streams and everything affects it. Members of both the families are toilers. The crop in the land **B** is hardly adequate for that family. 2 times more crops grow in **A** than in **B**. Each will get the fruits of his own labour; true. But differences in the lands here are formed due to 'nature'. The specialty that nature gave to the land **A** goes to a single family. This 'narrow outlook' is in accordance with the system of 'private property'. The correct solution for this would be like this: If both the families jointly cultivate both the lands and use the crop jointly, the positive and negative effects of nature will be equal to both the families. But, this is unimaginable in the system of 'private property'!

## (6) What if we eliminate rent?

What will happen if we eliminate 'rent' while all other aspects of 'capitalism' remain the same? (That is if the capitalist has the right to use the land without paying 'rent'?) Nothing will happen. Whatever landlords are consuming in the name of 'rent', capitalists would retain the whole of it with them. Then the 'rent' will get the name 'profit'. Then landlords too become capitalists. Workers will remain as workers.

If there were a right to use the land without paying rent, not only capitalist but workers too will have the right. Why do agricultural labourers work under capitalists. When land is available without paying rent? Then

they will live as 'independent peasants'. Then landlords and capitalist farmers too have to do labour for themselves.

While the foundation of the right to private property is as ever, elimination of right over rent is as impossible as stopping of the movements of the sun. The real foundation of 'private property' is the right over land.

Now, there is no land anywhere in the world, which none occupied. Based on the principles of 'private property', the whole earth is now under the control of 'individuals' and 'governments'.

Ownership of each piece of the earth by some individuals and governments implies that the entire 'globe' is under the control of 'some persons'. It means that some persons are 'owners' of the 'globe'—the globe that consists of its land, hills, forests, rivers, water falls, seas and everything! It means 'globe' is the 'private property' of some people! How strange is this situation! Where can this strange thing exist except in the world of exploitation?

## 5) 'Agricultural labour', and 'Industrial' labour

All such labour as raising crops in the land, collecting forest produce, hunting, cattle raising, poultry farming, fisheries, forestry constitutes 'agricultural labour'.

All those other than agricultural labours are 'industrial labours'.

Every 'branch' within agricultural sector provides itself with raw material in the form of 'seeds'. Moreover, certain branches supply 'raw material' to certain branches of industrial sector. The remaining branches of agricultural sector provide products that are immediately usable (e.g., fruit gardens).

Some branches in the industrial sector supply 'instruments of labour', auxiliary materials necessary for agricultural sector as well as industrial sector. The remaining branches supply products that are immediately usable.

If we look at the issue briefly, the industrial sector provides agricultural sector with 'instruments of labour', while the agricultural sector provides industrial sector with 'raw materials'.

Industrial branches like weaving, tailoring and carpentry were in a combination with agricultural labours under the name 'handicrafts' and were intimately connected with a single family or a village. Owing to capitalism, handicrafts gradually separated from the agricultural labour under the name 'industries' and lost connections with the family and the village.

Either in the past or in the present, the products that a labourer's family uses are not simply agricultural products but industrial products as well.

If we consider all the products of the 'agricultural sector' as 'grain', the necessary labour and surplus labour that takes place in this sector supply grain (food stuffs) for the whole society.

If we consider the entire 'working class', the 'necessary labour' which this class uses is not simply 'agricultural labour' but 'industrial labour' as well. But, after the advent of capitalism, a 'division of labour' emerged in such a way that one part of the working class performs exclusively agricultural labour and another part exclusively industrial labour. (While there has been one class which does not perform any labour).

When small-scale agriculture and its supplement 'domestic industry' are together, that mode of production would be 'self-sufficient'. But, when the large-scale industry destroys domestic industries, then the small-scale agriculture would no longer stand.

Whether it is 'industrial commodity' or 'agricultural commodity' it should consist of 3 portions, namely, constant, variable and surplus value (**c+v+s**). But, in the case of 'industrial commodity, the weight of 'new commodity' made of the 'raw material' would be less than the weight of the 'raw material' because production of a commodity involves 'wastage'. (However, the value of the 'new commodity' will be higher than the value of the capital spent on it).

But, in the case of 'agricultural commodity', the weight of the new product made of the 'raw material' would be many hundreds and thousands of times more than the 'raw material'. With one seed of grain many thousands of seeds and grass grow. This change takes place through 'nature'. In the case of agricultural commodity, not only magnitude of the production but the 'value' will also be more.

Both industrial and agricultural sectors are responsible for the emergence of 'higher value' (**c+v+s**) out of 'lower value' (**c+v**).

But, it is merely agricultural sector which is responsible for the emergence of more products (consisting of **c+v+s**) out of less products (consisting of **c+v**).

Just as 'constant capital' increases and 'variable capital' decreases when 'productive power' in any branch of industry grows due to the introduction of new machinery, the same thing happens in the branches of agriculture as well. The number of workers, who were necessary to work in one acre of land before the growth in the productive power, will not be necessary after the growth in the productive power. If new lands do not come under cultivation in proportion to the growth in the productive power, the working population necessary for the agricultural sector will go on diminishing. If we assume that the entire land is under cultivation, it becomes inevitable that some portions of agricultural working population either move into industries or turn into unemployed labour as the productive power increases in the agricultural sector.

Accumulation of capital takes place even in the case of agricultural capital. Population growth takes place in society. More importantly new kinds of use-values are discovered and produced constantly. Cultivation of more land becomes necessary in order to supply raw materials to the newly discovered branches of production. It is possible to bring new lands into cultivation by means of increasing capital.

But, the development of any branch under capitalism depends on 'whether it fetches enough profit or not'. Hence, let there be any number of 'real needs' in the society, cultivation of new lands does not take place if there is no demand in the market for those needs!

Even today, the uncultivated land is too large in the world. Generally such land will be under the possession of governments. Throughout the world scarcity of food and house is on the one side and extensive uncultivated land is on the other side!

However, even if we cultivate that vacant land, cultivation of such land will not solve the scarcity of food and houses for the working class since that production process too is carried out on exploitation.

## 'Rational' agriculture:

Capitalist agriculture is carried out with the objective of earning more (profit) than the 'invested capital'! If 'tobacco' has higher price and fetches more profit, the tobacco crop increases the next year. More production of cotton, if cotton fetches more profits; more production of groundnuts if they fetch more profit! It is the 'profit rate' that determines the quotas of crops; but not the real needs. In such a system as this, there is no scope for a plan that determines the quotas of agricultural products.

"So much rent per acre and so many years of rent period", thus entering into an agreement with the landlord, the capitalist tries to extract more and more crop from that land. The capitalist methods of cultivation that aims at raising more crops will result in not only 'favouable' changes but also harmful effects.

Capitalism innovates special instruments of labour for such activities as tilling the land. It discovers special fertilisers depending on the kinds of lands. It conducts new experiments to come out with better seeds, pesticides and insecticides. It develops agronomy, botany and chemistry. It provides irrigation and drainage facilities for the lands. With such changes as these, a way begins for a rational cultivation on the one hand. However, capitalism introduces all these changes with a view of profit, competition and additional (surplus) profit. Therefore, on the other hand, capitalist agriculture turns into an irrational agriculture that extensively exhausts the soil and destroys its 'natural vitality'.

Capitalist agriculture apart from destroying the soil, subjects the large number of labourers to starvation, unemployment and disease by intensely exploiting them and alienating them from the land. The capitalist agriculture that does not take into account the natural vitality of the soil as well as 'labour' and that has 'profit motive' cannot become a completely rational agriculture.

> "...capitalistic agriculture is a progress in the art, not only of robbing the labourer, but of robbing the soil; all progress in increasing the fertility of the soil for a given time, is a progress towards ruining the lasting sources of that fertility. The more a country starts its development on the foundation of modern industry, like the United States, for example, the more rapid is this process of destruction. Capitalist production, therefore, develops technology and the

> combining together of various processes into a social whole, only by sapping the original sources of all wealth—the soil and the labourer.(Capital-1, pp.474-75)

Agriculture that the Independent producers carry on at the level of individual family also cannot become a rational agriculture. It is because scientific experiments and labour-reducing methods that help agriculture are not possible, when agricultural production takes place at the level of a family. Hence, small-scale agriculture or capitalist agriculture with pure profit motive do not permit to deal 'scientifically' with the land, are not and cannot be rational forms of agriculture.

> "Very conservative agricultural chemists, such as Johnston, admit that a really rational agriculture is confronted everywhere with insurmountable barriers stemming from private property—the whole spirit of capitalist production, which is directed toward the immediate gain of money—are in contradiction to rational agriculture...(Capital, vol.3, p.617)

A 'collective agriculture' which makes use of such scientific forms of knowledge as botany, engineering, chemistry that help agriculture and which organise things with 'use-value' perspective instead of 'profit motive', can develop into a completely rational agriculture.

## Questions :

1. People who do not have even a small, 'palm-size' land also live on the land. How did they get it?
2. What are the 'means of production' necessary for 'agricultural labour' (e.g., grain crop)?
3. Labourers performed all kinds of labour in 10 acres and raised cotton crop. Is the entire cotton crop the result of the labour of those labourers?
4. 20% out of the 300 bags of grain represents the portion of means of production. How many bags do the portion of labour of labourers represent?
5. Irrigation facilities are available in an agricultural land. It has small mounds. It has a hut to keep instruments of labour. All these things involve some expenditure. Does this expenditure constitute 'fixed capital' or 'raw material'?

6. 'Seeds'—are they 'raw materials' or 'auxiliary material'?
   Fertilizers—what sort of an item is it?
   Water necessary for the 'crop'—what is it?
7. How can we say that a given soil is fertile and another infertile?
8. The area of a land is 2 acres. Capital-300. Crop-40 bags. The area of another land is 5 acres. Capital-600. Crop-150 bags. Which land is fertile?
9. A tailor stitched a shirt. Which is more: value of the cloth or shirt? Which is of more weight, cloth or shirt?
10. Labourers prepared seeds with a bag of grain. 70 bags of grain and 2 bags of grass resulted from the crop. Which is of more weight: seeds or crop?
11. Cloth is the raw material of the 'shirt'. (Yarn and buttons too are raw materials). Cloth itself is in the form of shirt.

    With 1 seed of grain we get a thousand seeds. Does the first seed alone exist as those thousand seeds? Is the first seed alone responsible for the emergence of those thousand seeds?
12. What is the area of the house of a landlord? What is the area of a worker's hut?
13. The landlord has 80 acres. He rented it to 10 families. The cost of means of production in those 80 acres constitutes 25% of the total crop. 50% goes to rent. How many acres of crop go to the maintenance of each peasant family?
14. A peasant family rented 5 acres. Rent per acre is of 12 bags. The cost of means of production in each acre is of 4 bags. Crop in each acre is of 24 bags. The crop of a year got spoiled. One-third of the crop decreased. How much remained for the maintenance of the tenant farmer?
15. What is the difference between a feudal peasant and a capitalist farmer?
16. What is the difference between the 'feudal rent' and the 'capitalist rent'?

17. What does 'wage' mean? What does 'salary' mean?
18. Who is a 'wage-labourer'? Who is a 'farm servant'?
19. Which of these words are synonyms?—Agricultural coolies, slaves, labourers, serfs, workers, agricultural labourers, agricultural workers, peasants.
20. Transformation of a feudal peasant into an agricultural worker is a kind of liberation. How?
21. Landlord is doing self-cultivation with wage-labour and farm servants. Then how many kinds of income does the landlord get and under what names?
22. The crop in a land is of 50 bags. Capital-900. Constant and variable ratio=1:2. Rate of surplus value-200%. Market price of a bag=40 rupees. What is the actual value of the bag? Are value and price equal? Did some surplus go out of this crop? If so, how much of it did go?
23. What sort of working hours do wage labourers have under their landlord? What sort of working hours do farm servants have?
24. Is there 3 shift-system in agriculture or not? If not, why?
25. It is an infertile land. No capitalist is taking it on rent. A peasant family, which was living until then as the family of 'Independent peasants' took it and is able to pay the rent. How is this possible?
26. How to calculate 'rent'?

    How to calculate 'interest'?
27. The 'surplus labour' time under feudal society is 4 hours. It includes 2 hours of interest, 2 hours of rent. If we see one hour labour in terms of 'production' it consists of 5 articles. In the capitalist society, surplus labour time is 7 hours. It includes 1½ hours of interest, 2 hours of rent and 3½ hours of profit. If we look one hour labour in terms of 'production', it consists of 50 articles. Considering these details, explain the percentages of rent and interest within 'surplus labour' during feudalism and capitalism. Have they decreased or increased, compared to the past? Have their products decreased or increased?

28. How much land is necessary to run a sugar mill? How much land is necessary to supply sugar-cane to that mill?

29. The industrial capital-200. Its general profit-400. Agricultural capital 100. Its general profit-200. Rent that agricultural capital pays-50. Considering these details, can we say what the total rent is? Or do we need any other details?

30. What is the source of the ground rent that an industrial capitalist pays for his factory?

    What is the source of the ground-rent that a commercial capitalist pays for his shop?

31. 'Grain' grew in the field. It turned into 'rice' in the mill. Is rice an agricultural commodity and industrial commodity?

32. Name some agricultural products and some industrial products that we use daily.

33. Rent on grape gardens per acre is 2 thousand. Rent on paddy field is 400. Why is this difference?

34. **A** is a fertile land **B** is an infertile land. Capital at both the places is of the same size. Crop in **A** is 12 bags. Crop in **B** is 5 bags. The cost of means of production at both the places is 2 bags. The portion that represents the labourer's labour is 10 bags in **A** and 3 bags in **B**. Did labourers in **A** do more labour than **B**? Did they give more surplus labour?

35. Total crop-40 bags. Capital-400. General profit-700. Agricultural rent-120. What is the price of a bag?

36. A given piece land is close to a canal. It is also close to the market. How does that tenant pay that 'additional (surplus) rent'?

37. Rent-150. Interest rate-15%. How much could be the minimum price of the land?

38. Which is correct and which is not correct in the following statements?

    1) The commercial capitalist pays 100 rent to the land in which his shop is situated. It is part of the surplus value of the commercial workers.

2) It means the same whether you call 'coolies' or 'workers'.
3) If a commercial capitalist wants to become productive capitalist also, he has to take land on rent!
4) If a commercial capitalist takes a land on rent, he would also become a productive capitalist.
5) Renting out a 'land' implies that landless persons and landowners had already emerged under the history.
6) Those who possess land live on the land.

   Those who do not possess land live under the sky.
7) Those who do not possess land also live on the land only. But, on the smallest piece of land! So much land in which one can put the needle point.

39. Do you know a family of a landlord? What is the 'rent' that they collect per acre?
40. An agricultural labourer borrowed 1 bag of grain from a landlord on the condition that the labourer has to return 2 bags of grain in 4 months. This is one particular form of rate of interest. What has happened here? Did the landlord sell his grain or lent for 'interest'? Do you know any more such form?
41. Are you an agricultural labourer, independent peasant or both?
42. How is a proper and rational agriculture possible?

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Chapter 4

# Imperialism

Imperialism means forceful occupation by one country of other countries or regions of other countries and putting them under its 'domination'.

The country that resorts to forceful occupation is an 'imperialist country'. The countries that are subjected to forceful occupation are 'colonies'.

Those countries that have more economic and military strength alone can behave like imperialist countries that 'successfully' resort to force. Those countries that have less economic and military strength remain as complete colonies, semi-colonies or countries that are 'subservient' in some form or the other to the imperialist countries.

'Imperialism' (forceful occupation of other regions) has been there since the past times. In the 'slave society' and the 'feudal society' as well, kings and emperors used to go on 'invasion' and wars in order to occupy other kingdoms. They used to plunder gold, silver and other valuable products from the defeated kingdoms. Moreover, they used to convert the defeated kingdoms into 'tributary kingdoms' ('colonies') and used to collect some 'tribute' (some money and other products) every year. In such invasions they used to resort to all sorts of wicked acts like killing the people of the colonies, house burning, sexual assaults on women, plundering of property, kidnapping people and converting them into slaves. In the view of invading countries, all this used to appear as a valourous act or as a 'justified act of suppressing the enemy mob'. The poet-sycophants depict the invasions of their rulers as 'expeditions' in their books, make their rulers happy and used to get 'handsome benefit' from them.

This very imperialism, without changing in its essence, continued in 'capitalism' as well with some modifications only in the 'form'. (It is still continuing). Here also, 'imperialism' means occupying other countries and turning them into colonies; exploiting the colonies and dominating the colonies. There is no other meaning than this for the term 'imperialism' either in the past periods of time or during the capitalist period of time.

Just as each and every feature, of the past exploitative societies, that favours exploitation is present in capitalist society, the feature of 'occupying other countries' too is present in capitalism. However, just as all the features of exploitation are present in a 'changed form', this feature too changes its form in accordance with capitalism. Unlike the past form of collecting 'tributes' directly, it will now be in the form of 'trade' with colonies and investment of capital. Now we will see 'capitalistic imperialism' instead of the earlier form of imperialism.

# 1) Capitalistic imperialism

As capitalism 'develops' in a given country (that is, as phenomena like growth of productive powers, competition, centralisation of capital, banking system develop), joint stock companies accompanied by monopoly companies will go on raising productive powers and large masses of commodities in all the sectors (productive, commercial and money lending sectors). To sell those masses of commodities, not only domestic markets but also foreign markets will become necessary.

> "...the expansion of foreign trade, although the basis of the capitalist mode of production in its infancy, has become its own product, however, with the further progress of the capitalist mode of production, through the innate necessity of this mode of production, its need for an ever-expanding market." (Capital, vol.3, p.237)

The foreign markets are necessary even for 'monopoly banks' to enable them to lend their 'money'. If a capitalist country has to secure foreign markets without competition with other capitalist countries, the 'easy' method is to forcefully occupy foreign countries, which have not developed as capitalist countries! Almost all the capitalist countries did the same thing. In this manner, the stage of 'modern imperialism' had begun in the course of the development of capitalism.

The benefits that an imperialist country, which occupies 'colonies', gets from its colonies are the following:

1. It can sell some part of the huge masses of its commodities in its colonies without 'competition'.

2. It can buy some part of the raw materials necessary for its industries from its colonies without 'competition'.

3. It lends credit to colonies from its giant banks and earns 'interest'.

4. It invests capital in its colonies, establishes 'productive, commercial and money-lending' companies and earns 'profits'.

5. When wars are waged with other capitalist countries, it uses its colonies as 'military bases'. Even during the period when there are no wars it uses those military bases for the coming wars.

6. The imperialist country alone will have the 'political power' to rule the colonies. An imperialist country gets benefits in many ways from its colonies.

If capitalism goes on developing and if we do not resist it, it would inevitably turn into 'imperialism'.

All the actions of imperialism are the decisions of the class of owners of means of production of that country (class of owners of governmental and private companies). That class itself is the basis of the 'domination' of that country. Similarly, the basis for the subservience of that colony is the class of owners of means of production of that country (mainly the class of landlords and capitalists).

If an imperialist country occupies a country as its colony either in the past period or in the capitalist period of time, there will not be intervention or decision of the working class of either of the countries. Labourers work as 'soldiers' simply due to 'compulsion' of the 'master' or for their 'livelihood'.

An imperialist country is able to occupy another country as its colony only when a group in the 'exploiting class' of the latter is in favour of the imperialist country and acts as a comprador.

## 2) Trade with 'colonial country'

Generally, the exploitation of the imperialist country begins by means of 'trade' with the colonial country. The imperialist country sells its commodities to the colonial country and buys the commodities of the colonial countries. All this outwardly appears to be merely 'foreign trade' that takes place between those countries. But, this is not an ordinary foreign trade. There is a problem of 'unequal exchange' in this foreign trade.

If one country gives the products of a given value and in return takes the products of the same value (if the given value and received value are equal), it is an 'exchange of equal values'. In such an exchange as this, no side (trading country) would specifically get either 'profit' or incur 'loss'. If one side takes products of more value by giving products of less value (if given value and received value are not equal), it is an 'exchange of unequal values'. In such an exchange as this, one side will get 'profit while another side incurs 'loss'.

In the trade between an imperialist country and a colonial country, it so happens that the imperialist country gains and the colonial country loses. This is how it happens: imperialist country means a country that 'developed capitalistically'. The 'productive forces' there might have increased compared to the colonial country. (They still keep growing). The productive powers in a colonial country would not be at that level. (Even if they grow, they do not grow to that level).

In the case of a commodity that an imperialist country sells, let us say, its 'labour time' and hence its value diminished due to the rise in the 'productive power'. (This fact will be evident from the decrease in the cost-price). Suppose the imperialist country sells its commodities to its colony at the same old rate without reducing it and receives commodities equivalent to that price. If it does so, it amounts to taking more value by giving less value. Which amounts to the fact that the imperialist country grabbed some production additionally from the colony. This is an exchange of 'unequal values'.

The real values of the commodities keep falling in an imperialist country. The real values of the commodities in a colonial country will not fall to that level. The prices of the commodities of these two countries have to change appropriately in accordance with their cost prices, while the two countries buy commodities from each other. But, owing to the domination of the imperialist country and subservience of the colonial country, appropriate changes do not take place in the commodity price in the trade between the two countries. The imperialist country, (that is, its companies), fixes its prices according to its wish and will and be able to make the prices of the colonial country subject to its conditions. As a result, the imperialist country gives a commodity of '1 hour labour' and in return takes a commodity more than 1-hour labour.

Let us briefly see this in the form of 'products': Let us take the same kind of 'cloth' that an imperialist country and a colonial country as well produce. Suppose the total labour time that takes to make a cloth of 1 metre in a colonial country is double than that of an imperialist country. That is, the value of cloth of colonial country is double the value of the cloth of an imperialist country. Though exchange between the same kind of 'use-values' does not take place, let us suppose that an exchange took place between the cloth of 'this' country and 'that' country. If the imperialist country takes 1 metre of cloth from the colonial country, it

has to give 2 metres of cloth in return. To say that more quantity of cloth has to be given in return to the less quantity of cloth appears to be too meaningless. But, 'exchange' takes place based on the 'equality of values' but not 'equality of use values'. No side will incur loss only if the values given and value taken are equal. Which means, in this example, the imperialist country has to give 2 metres of cloth and take 1 metre of cloth. But, if the imperialist country gives 1 metre of cloth and takes 1 metre of cloth in return, it implies that it gave less value and took more value. Because of this, the colonial country incurs loss of half value. As exchanges do not take place between the same kind of use values, we can't find anywhere a situation whereby there has to occur an exchange between 'less cloth' and 'more cloth'. We have to understand only the 'essence of the values' in this example.

If the capitalist country gives wheat containing '1 hour' labour time' and takes sugar containing '3 hours' labour time', it implies that it gave products of less value and extracted products of high value. The imperialist country acts in this manner only. If exports and imports take place between those 2 countries in this form of prices, the imperialist country will go on plundering huge masses of commodities regularly from the colonial country.

However, when the imperialist country wants to destroy the production of certain kinds of commodities that has been on going since the past in the colonial country, it throws its commodities into the market in competition with the commodities of the colonial country and reduces its prices lower than the prices of the colonial commodities. Yet, those reduced prices too would be higher than the 'production prices' that fetch the general profit rate for the imperialist country. This means, even when the imperialist country reduces its commodity price lower than the colonial price, still 'unequal exchange' will continue. To avoid 'unequal exchange', the commodity price of the imperialist country too should be still lower than what it is. But, it will not be like that. The price of the imperialist country would be such that it is 'somewhat lower' than the colonial commodity price. Owing to this kind of price reduction, the 'additional' (surplus) profit of the imperialist country decreases to some extent. Though its profit decreases, the imperialist country destroys to a large extent the production of the commodities of the colonial countries and can secure that market for a longer period of time. Which means, the colonial country

will no longer produce that kind of production. The imperialist country itself will be selling all the time. Thus imperialist country earns enough of profit in the subsequent period.

The government of the colonial country sells the commodities of its companies to the imperialist countries. It buys the commodities necessary for its companies from the imperialist countries. While sales and purchases take place, the State-heads, State-functionaries, directors and managers of the concerned companies of the colonial countries consume 'bribes' at various levels and agree for the prices that are 'favourable' to imperialist country (that is favourable to the prices that fetch excessive profits for that country).

Suppose a colonial country may pay 50 rupees for a commodity that it buys from an imperialist country. But, while buying those commodities for the sake of the government needs, it is no wonder that the State heads of the colonial countries pay a price of 500. That is, 10 times more! As a result, the government treasury of the colonial country itself would be looted. Some part of that price will go as 'bribes'. Similarly, while selling the commodities of the government companies, they may offer the commodities for 5 or 6 whereas in fact they have to collect 50 rupees. Because of this, even the cost price of the government companies that produce those commodities would not return. (The government companies follow the same practice while conducting trade with domestic private capitalists also). They offer the commodities for sale at very low prices and buy the commodities at very high prices). Gradually, the government companies incur losses. The intellectuals who examine the reasons for the losses discover the fact thus, 'workers in the government enterprises are not at all working. Hence these losses"!

Apart from the loss that a colonial country incurs due to 'unequal exchanges' with independent countries, it buys many kinds of unnecessary commodities under pressure of the imperialist country. Bribes would continue even then.

Suppose the colonial country imports a particular kind of 'medicines'. The colonial country too can produce those medicines. But, let us say, the capitalists of the colonial country are accustomed to enjoy 'commercial commissions' in that medical business by acting as 'comprador' (or 'agents') of the capitalists of the imperialist countries.

They do not hold the view that they have to undertake the production of that commodity. If any of the capitalists begin to make such attempts, the government of the colonial country does not favour it. Or, if the production of such medicines begins in the colonial country, then the imperialist country brings its medicines to the colonial countries and begins to sell at cheaper prices. The government will not take necessary action since it is subservient to the imperialist country.

Thus, due to many unopposed conditions, the imperialist country is able to sell its commodities in colonial countries at illegitimate prices. It can thrust upon the colonial country all the useless commodities that it produces.

The imperialist country does not allow other capitalist countries to enter into its colonies and sell or buy commodities. Or, if it allows it would do so only subject to the conditions that are fully favourable to it. Since, the imperialist country alone possesses the control over the colony, it will not face 'competition' from the other capitalist countries as far as its trade with the colonies is concerned. It occupies colonies merely for the sake of this 'competition-less' situation.

If we consider the total mass of commodities in a given country, the mass of commodities of a colonial country would also consist of **c+v+s** just as the mass of commodities of any colonial country. No capitalist (either native or foreign capitalist) grabs the part of **c+v** (capital spent or cost-price). Whoever grabs, he has to grab the portion of **s** contained in the commodity.

The imperialist country, through its 'trade of unequal exchanges' is able to grab as much as possible from the portion of **s** contained in the commodities of colonial countries. The portion that still remains in **s** will go to the landlords and the capitalists of the colonial country.

An important section within the class of exploiters of the colonial country will have various kinds of connections with the companies of the imperialist country and hence both the sides will have identical interests. Because of this, that section will be supportive the imperialist country. The remaining section within the exploiters of the colonial country will be 'subservient' to the imperialist only due to compelling conditions. Of this section, one part might be totally opposed to imperialism.

When we speak of 'commodity exchange', the general principle is exchange between 'equal values' only. Depending upon the relations between the two sides in an 'exchange', an exchange may or may not be an exchange of equal values. The principle of 'equal values' does never operate between the imperialist country and a colonial country. However illegitimate and haphazard the prices in that trade might be, the total of the prices of both the sides constitutes the value of those commodities. The commodity owners of both the sides have to grab the portion of 'surplus value' contained in that value. Various kinds of changes take place in that very process of extracting 'surplus value'. However minor change might occur in the prices of either 'that' country or 'this' country, changes in the distribution of 'surplus value' take place.

One of the common notions about 'foreign trade' is that the trading countries would 'benefit' if they mutually exchange only such commodities, which they can produce better.

For example, wheat grows well in the country **A**. Sugar-cane does not grow well here.

Sugar-cane grows well in **B**. Wheat does not grow well.

Which means, **A** can produce wheat (of 1 bag) with a less value (less labour) than **B**.

Similarly, **B** can produce sugar-cane (of 1 tonne) with less value (less labour) than **A**.

Hence, if **A** produces more wheat and **B** more sugar cane and exchange them with each other, the 2 countries would get those commodities with less value (than the values at which they grow). Hence, it is a 'wise' thing to do so. This is the common notion!

But, this is an unwise thing rather than a wise thing. This prevents the attempt to be 'self-sufficient'. Every region and every country should first attempt at 'self-sufficiency'. Even if it has to spend more value to produce a commodity, it has to produce it on its own. Instead of assigning first place to value calculations, it has to give the first place to self-sufficiency. If **A** and **B** turn into specialised countries that grow wheat and sugar-cane respectively, none of the two would achieve self-sufficiency.

The second shortcoming in this notion is that the example of **A** and **B** does not at all apply to the relationship that exists between an imperialist country and a colonial country. However low the value at which an imperialist country produced its commodities, it will not sell it at a low price to the colonial country. But, it buys commodities from the colonial country at a lower rate only. Since a relation of 'domination and subservience' exists between those countries, the trade between them will not be with real values. Hence, some counties (which are subservient) would terribly incur loss due to the system of specialisation whereby a given country raises a particular crop that it can raise better.

Another example:

**A** is an imperialist country. **B** is a colonial country.

**B** has purchased some machinery from **A**.

The value of a machine is 100. **A** gave it for 150. But, let us say, it would have been much higher than 150, had **B** itself produced the same kind of machines. **B** purchased the machine from **A** for a price lower than the price at which it had to spend if it produced that machine for itself. Does it mean that **B** has not incurred any loss in this purchase? No. It is beside the matter that **B** would have incurred more expenditure if it had produced on its own. If we look at the present purchase, **B** took the commodity of 100 value only but paid 150. Which means, **A** gave only 100 value to **B** and extracted 150 from it. This is a loss to **B** and it does not mean that **B** got that commodity cheap. In fact, it does not amount to cheapness even if **B** got that commodity for 100. Had it secured for 100, it simply means that it got the commodity at its actual value. But, the imperialist country would anyway not give its commodity at its actual value. Therefore, however cheaply an imperialist country might produce its commodities, the colonial country would not get that result. Hence, the argument—that 'it is beneficent to 2 countries if they produce whatever commodities which they can produce better and exchange them"—is totally meaningless in the context of 'exploitative relations'. It only benefits the dominating countries.

Let us imagine an example like this:

Suppose we made a modification in the case of 'prices'. The 'additional' (surplus) profit which the imperialist country was grabbing

illegitimately until then would now remain with the colonial country that is with the commodity owners of the colonial countries! Though the commodity owners of the colonial countries also include a certain number of independent producers (independent peasants and independent handicraftsmen), their production constitutes a very small part of the total mass of commodities. Landlords and capitalists are the masters of a large part of the mass of commodities. These are the exploiters within the colonial country. Owing to reforms in prices, the portion of **s** that was until then going to the foreign exploiters would now remain with the native exploiters. This means, that portion either remains here if it does not go there, or goes there if it does not remain here. But, the labourers of the colonial countries do not get that portion at all.

Reforms in price would definitely do 'good' to the independent producers of the colonial countries. When they sell their commodities, they get higher prices than before. Similarly, when they buy the commodities of the imperialist countries in the market, they would get for lower prices than before. The independent producers can retain the most part of their surplus value due to these changes. Thus, price reform helps then. But, there would be no change with regard to the 'labouring class' of the colonial countries. They always receive 'value' of labour power only.

## (1) Division of labour:

Imperialist country is a country that has developed industrially under capitalism. A colonial country is something that has not developed so. While the colonial country supplies 'agricultural raw materials' to the imperialist country, the imperialist country supplies 'industrial commodities' to the colonial country. If we look at this 'division of labour', it appears as though the 2 countries are mutually dependent on each other. In fact this is mutually dependent division of labour. It is true that the imperialist country is also largely dependent on the colonial country. But, since the imperialist country stands in a 'dominant' position in relation to the colonial country (since it sells its commodities at higher prices), this division of labour would be favourable to the imperialist country. Which means, that this division of labour is such a division of labour that makes the colonial country to depend largely on the imperialist country!

## (2) Export of capital:

The imperialist country gradually develops its exploitation, which it began in the form of 'trade' with the colonial country, by means of 'export of capital'.

We have seen in the earlier chapters about investment of capital by one country (its companies) in another country.

Why does one country invest its capital in another country? Is it because it has no scope at all to invest it in its own country? No. It is because it would fetch higher 'rate of profit' when it invests in another country than in its own country. Capital leaves its native country for foreign countries only because there is a scope to secure higher profit.

When an imperialist country lends 'money capital' (money credit) to the colonial country, it may give that 'credit' either to the government of colonial country or to a private company of the colonial country; or to both. When it lends 'money credit', the lender country first sells its commodities at the prices that it fixes. (The borrowers of that money buy commodities from the companies of the money-lender country). Then, the lender-company earns 'interest' on that credit at a rate that it fixes. (The imperialist country buys from the second country commodities at the prices that the imperialist country fixes and that are equivalent to the principal amount as well as the interest on credit.

The country that lends credit not only gets interest through that credit but also invariably receives some more kinds of benefits. Since the borrowing-country is subservient to the lending-country, it accepts the conditions of the lending-country. All the trade-agreements (that there should be no 'income tax' on the interests that it receives, or the tax should be very low, that there would be no condition that the income received should be invested as capital in the borrower country only...etc.,) contracts in the industries of its choice and other conditions¾all will be in favour of the lending country.

The imperialist country starts the branches of its companies and banks. It transports some means of production from its country to those branches.

The imperialist country invests capital in the productive, commercial and money-lending sectors of the colonial country and establishes its

companies and banks under its ownership. It first begins to invest its capital in such branches as building of highways, mining and irrigation projects of the colonial country.

Just as a foreign soaps company conducts business in a colonial country, a foreign bank also does business.

The imperialist country buys up the companies in the colonial country and runs them under its management. All this amount to investing capital in colonial country. As a result of this, capitalists of imperialist country become the 'masters' of the working population of the colonial country and earn profits and interests from the surplus value of those workers.

Here are 3 quotations from Marx:

1. "Capitals invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. In so far as the labour of the more advanced country is here realised as labour of higher specific weight, the rate of profit rises, because labour that has not been paid as being of a higher quality is sold as such. The same may obtain in relation to the country, to which commodities are exported and to that from which commodities are imported; namely, the latter may offer more materialised labour *in kind* than it receives, and yet thereby receive commodities cheaper than it could produce them. Just as a manufacturer who employs a new invention before it becomes generally used, undersells his competitors and yet sells his commodity above its individual value, that is, realises the specifically higher productiveness of the labour he employs as surplus labour. He thus secures a surplus-profit. As concerns capitals invested in colonies, etc., on the other hand, they may yield higher rates of profit for the simple reason that the rate of profit is higher there due to backward development, and likewise the exploitation of labour, because of the use of slaves, coolies, etc." (Capital, vol.3, p.238)

(In this quotation, Marx talked about what happens between an imperialist country and a colonial country first in terms of trade and secondly in terms of investment of capital in colonies).

2. "The favoured country recovers more labour in exchange for less labour, although this difference, this excess is pocketed, as in any exchange between labour and capital, by a certain class. Since the rate of profit is higher, therefore, because it is generally higher in a colonial country, it may, provided natural conditions are favourable, go hand in hand with low commodity-prices". (Capital, vol.3, p.238-9)

(The meaning of the last words is that if an imperialist country invests capital in the colonial country and produces commodities and if the prices of those commodities form at a lower level, it is possible for the imperialist country to get higher profit from that 'lower price' as well).

3. "This same foreign trade develops the capitalist mode of production in the home country, which implies the decrease of variable capital in relation to constant, and, on the other hand, causes over-production in respect to foreign markets, so that in the long run it again has an opposite effect". (Capital, vol.3, p.239)

(We will see issues relating to 'over-production' in the following chapter 'Crises').

An imperialist country conducts trade not only with its own colonies but with other imperialist countries as well. It invests capital in other imperialist countries also. The prices and other terms in that trade will be on an equal basis if the conditions between the 2 countries are 'equal'. Or, if the conditions between those imperialist countries too are different (if one country is more dependent on the other), prices and terms will also be different and the dominant country receives additional profit.

If we consider 2 capitalist countries namely A and B, capital of one country will be in another. (While companies of A invest capital in B, companies of B will invest capital in A).

One capitalist country buys shares in the companies of another capitalist country. It buys bonds of the foreign government. It remits deposits in the foreign banks. It establishes the branches of its companies as well as its own new companies (this may occur to a very limited extent). This means, capital of one capitalist country may be present in another capitalist country.

Well then how much is the capital of a given country invested in

foreign countries? How much is the capital that all the foreign countries invested in that country? If we look at these facts, we will find a particular country, which invested more capital, to be more 'powerful' (power to exploit) country by earning more profit and more interest.

**B**'s capital in **A** is 5. **A**'s capital in **B** is 100.

The capital, which **B** invested abroad, is very much less than the capital, which **A** invested abroad.

Still there are certain kinds of differences.

Let us say, while **A** invested capital in the productive companies of **B**, **B** invested capital in the government bonds of **A**.

The capital invested in production companies is long-term.

The capital invested in the government bonds is short-term.

It means that **A**, which invested capital in the foreign productive companies, has secured a market that can give profits and interests for a long period of time!

**B** does not stand in such a position.

If **A** invests capital in its own companies in **B**, then all the decisions over that capital will be in the hands of **A** only.

If **B** invests capital by way of buying 'shares' in the companies of **A**, the decisions over that capital will not be in the hands of **B**.

Thus, there will be many kinds of differences in the investing of capital.

When foreign capital is very in a given country and when that capital is meant only for short-term needs, its impact on the foreign economic conditions will not be much.

If we consider 4 capitalist countries called **A**, **B**, **C** and **D**, more 'money capital' gets accumulated in that country (in the monopoly companies of that country) which invests more capital abroad and which has control over the largest area of colonial regions.

If there is a 'lot of money' with a person, we can easily understand that fact.

Possession of a 'lot of money' by the companies of a given country is also a similar situation. More money gets accumulated in those companies that can grab interests and profits in large quantities. Which means, a large part of 'surplus production' in the 'mass of products' produced throughout the world gets accumulated in a particular company. That country can exercise control over a 'large capital' throughout the world. That is, over many means of production and large working population!

(Britain and France are the oldest capitalist countries. Majority of colonies had been under their control. The British Empire used to be 'an empire where the sun did not set'. That is, Britain had colonies around the 'globe'! America and Germany are the countries that had 'developed' in a shorter period of time than other capitalist countries. The monopoly companies spread over extensively in the industrial sector of these two countries. The major portion of the total money capital of the whole world used to be in these 4 imperialist countries. Only these countries used to lend 'credit' to other countries of the world and invest productive capital there. Today, many direct colonies have changed into indirect colonies. Yet, the major portion of the total 'money capital' of the world is under the possession of giant capitalist monopoly companies even today. These countries alone are lending credit to other countries and earning 'interest'; and investing productive capital and earning 'profit').

Only a couple of countries, which have large-scale capitals rule the total 'nature' and the total world population.

It is correct to say that 'capitalistic imperialism' (or modern imperialism) means occupation of agrarian countries by industrial countries. But this meaning is not enough. To this meaning, we have to add such features as accumulation of large part of world capital in the imperialist countries, the rule of the world by that capital, competition among the imperialist countries for world hegemony etc.

In this world where native and foreign capitalists are exploiting the working class of the colonial country, the 'unequal exchange' carried on by the imperialist country is an important problem. It is only one of the many problems that arise due to 'imperialism'.

The main problem of the working class is the exploitation that takes

place in the 'process of production'. The essence is the same whether native exploiters exploit them or foreign exploiters exploit them.

## (3) Migration of workers:

Workers who are in constant search for 'jobs' and for better 'wages' migrate to other regions and other countries when they do not find jobs in their own regions and when they do not get wages that are enough for 'maintenance'. Generally, the migration of workers occurs from villages to towns and from colonial countries to imperialist countries. The migrant working population includes manual labourers and mental labourers and of all levels. As the imperialist exploitation increases, foreign working population that migrates to imperialist countries increases.

## (4) How does imperialism trap higher mental labourers?

In any exploitative society (in the earliest societies as well), there will be many kinds of privileges in order to trap the section of higher mental labourers. These privileges will be at a very high level in capitalist society.

Many kinds of scientific and technological researches are necessary to raise productive powers of the productive companies. For this purpose, further trapping of higher mental labourers is necessary.

This need is too much for 'imperialism'.

In the chapter on 'Rate of Surplus Value' in volume 1, we have seen that the rate of surplus value keeps growing (that is, the mass of 'surplus production', which the workers lose, keeps growing) as the productive powers keep growing under capitalism.

An imperialist country earns huge masses of surplus value, on the one hand due to an increase in the surplus value that its own working class gives and on the other hand due to exploitation of its colonies. It spends some portion out of its 'surplus value' for the sake of the section of higher mental labourers of its own country. It does so by giving higher wages and more privileges (Awards, titles, felicitations and all such things are for this purpose only. It is a different aspect). The section of mental labourers will have a positive attitude towards imperialism due to 'higher wages' and obediently serves the class of masters with the new scientific and technological researches.

All that a person, who does labour, gets in various forms in return to his labour is 'wage'. It is the 'value of labour power'. It is 'surplus value' that goes unpaid.

But, here a question arises with regard to the wages of the section of higher mental labourers. Are these wages also part of 'labour power of value'?

It is true that the value of labour power of the section of higher mental labourers will be more than other sections. But, how much more? Can it be the maximum? This is a question here.

The section of higher mental labourers is able to use its wages not simply for living comfortably but also to buy 'shares' in many companies, to remit deposits in the banks and to earn many other 'properties'. How is this section receiving so much maximum value? (1) Does this section not lose 'surplus value'? That is, does this section get its entire surplus value? (2) Will this section, not only not lose its 'surplus value', but also get some more value? That is, does this section receive a part of surplus value of the working class of its own country or of the colonial country? If none of these 2 things happens, how is it possible for this section to get the maximum wage higher than the 'value of labour power'?

Suppose only the first thing, rather than the second, is happening. That is, this section of labourers does not get a portion of the surplus value of other sections of labourers. It takes its own surplus value without losing any thing. Hence, let us say, it is able to get the maximum wage. Even if only this is happening, how is it possible? It is possible because all the other sections of the working class (other than the mental labourers) are handing over huge surplus value to the imperialist country. While all the other sections of the working class are losing lot of surplus value, one section is not in that situation and the same situation is the speciality of the section. That section secures that privilege just because it has to be subservient to the capitalist class. It would thus get its entire 'surplus value'. This section, which receives this special treatment, is normally united with the class of owners rather than with the working class.

It happens in all societies that the higher mental labourers maintain distance from the other levels of workers. But this 'distance' increases further under imperialism. imperialism makes higher mental labourers opportunistic and selfish people.

## 3) Old, new and brand new forms of imperialism

We have seen that invading foreign countries with its armies, subjugating those countries and collecting 'tributes' from them are the features of old-time imperialism. The imperialism of the capitalist age earns profits and interest from the colonies in such a way that it facilitates its exploitation.

The difference between the old and new imperialism is only in the 'form'. The 'essence' of the two is the same. Exploiting of colonies (exploiting the labouring people of the colonies) is the essence.

The new imperialism has gradually been changing into newer forms. it is still changing.

Whatever be the 'evil', it simply changes its 'form' unless a struggle against it is carried out in as much of a right way as it should be. Otherwise, it will not change its essence. It is the same case with 'imperialism' also. If the struggle against it does not continue in the right direction, it simply changes its manifestations. If there were no struggle, it would not have the need to change the forms as well. As there exists some sort of a struggle, however haphazard it may be, imperialism leaves it old form and assumes a new form. Another new form when there arises struggle against that new form as well! When the struggle arises against the actual 'essence' instead of the 'appearance', all its forms will disappear and the essence of imperialist domination too disappears. Until then, imperialism continues to exist in one form or the other.

Suppose an imperialist country ruled a colonial country for some time and gave up its power to rule.

Let us say, the subsequent example is like this: The exploiting class of the colonial country itself began its rule. The new government declared that the colonial country has become 'independent'.

However, all capitals of the imperialist countries (all the companies under the ownership of that imperialist country) that have been there in the colonial country since a very long time are still continuing in this independent country under the ownership of the independent country. Even now the imperialist country is taking away profits and interests from this independent country! Further, even now the 'unequal exchanges' are taking place in the trade between the two countries! Even now, the

new companies and their branches are coming up in this independent country! The ruling class of this 'independent' country has agreed to continue all these conditions and to continue all these relations between the countries as before (with very minor changes)! Only with this understanding, the imperialist country gave up the function of ruling this colony and handed over the charge to the exploiting class of the colonial country. Since then, the landlords and the capitalists of this colony took over the political power and declared this country as an independent country! The labouring people, who do not know what 'independence' is, obediently accepted and felt happy since their 'masters' are saying that something 'good' has happened to their country. What is the meaning of this change if all this happened? Does it mean that the colonial country has really become 'independent'? No.

This change is not a change at all. The imperialist country is getting its profits and interests from this 'independent country' also as before. The fact that the imperialist country is able to exploit the second country indicates that there has not been a real change that occurred between the 2 countries due to this 'Independence'.

What has now happened between the 2 countries is that, while the imperialist country ruled the colonial country 'directly' in the past, now it is ruling 'indirectly'. This is the meaning. It means that the majority of fellows in the class of exploiters of the colonial country are still acting as comprador (brokers/agents/representatives) of the imperialist country. It means that no other changes occurred except that the foreigners left and the native fellows, who are filled with slavery for the foreign capitalists from top to toe came to the throne of the colonial administration. Thus the 'essence' of the matter has not changed at all. Yet, the colonial country appears outwardly as if it has changed into an 'independent country'. This is another form of 'imperialist-colonial' relationships.

If a colonial country is under the domination of a given imperialist country, all the other imperialist countries do not totally give up their hopes on that colony and keep quiet. They keep trying for 'opportunities'. All the groups within the class of exploiters of the colony do not act as comprador of a single imperialist country. Different groups might favour different imperialist countries.

Even after a colonial country becomes 'independent', the capital of other imperialist countries too may flow into it. Thus, that independent country may turn into an 'indirect colony'. This is another form of imperialism.

Let us say that **A** is an imperialist country and **B** is a colonial country that has got 'nominal' independence.

If there is no scope for **A** to establish companies under its complete ownership in **B**, it would start 'joint companies' alone with the government and private companies of **B**.

**B** buys technical licenses, techniques, patents, trademarks etc., by paying heavy prices. It pays fee regularly for some items. Thus, **A** takes away incomes from **B** under various names.

**B** can enter into 'military treaties' with **A**. All these treaties will be in favour of **A** only.

Companies and banks of **A** will be in **B**. With **B**, **A** would enter into some political and military treaties, which prevent **B** from confiscating 'the foreign capital'. **A** would be ready even to invade **B** if **B** violates such treaties.

It becomes the responsibility of the comprador government of the colonial country to create confidence that there would never arise a danger whereby the working class of the colonial country would ever confiscate the capital of the imperialist country. It takes steps that prove 'how harsh it can be with its own working class'. It demonstrates its loyalty by enacting new laws (as imperialists desire) that would keep its working class under further control and which would further restrict their rights.

Occasionally **A** throws free aid, charities, grants etc., on to **B**, in order to mislead the working class population of **B**. (All these make up one piece in the amount, which **B** plundered from **B**). Through these kinds of free aid, **A** creates an illusion in the mind of **B** that it has a 'lot of love' for **A**.

**A** supplies to **B** its jowar flour, milk powder, wheat powder, bread pieces etc., which are unsold and rotten, and showers its compassion on the 'mother and child' of the **B** country.

The 2 countries **A** and **B** present before their respective working class population the money credit, which **A** lends to **B**, in such a way that it is helping **B** in its needs.

If all the capitalist countries establish an international monopoly bank called the 'World Bank' with their deposits and lend loans to the world countries through that 'Bank', it means that all of them are sharing the 'credit (money lending) market'. It is neither service to foreign countries nor service to the world. The whole thing is service to one's own capital.

All these forms are newer manifestations of imperialism. Whatever form the 'capital' might assume, its function is simply to earn profit and interest.

If a given country is under the influence of foreign countries due to any reason, need or pact, it is not real freedom even if it declared itself as an independent country! It means that it is still a colonial country. It is an indirect colony, if not a direct one! A new kind of colony if not an old kind! Thus, the 'independence' of a country might be subject to many kinds of 'domination'. Hence, it does not mean that a given colonial country is really independent simply because there is no direct rule of an imperialist country over it.

Suppose the class of exploiters of a given country is ruling the country without any domination of other countries. Let us also suppose that no foreign country is plundering profit and interest from this country. Does it mean that this country is an 'independent' country? Yes, to some extent. Not yet fully.

If foreign exploitation ceases, all that the foreign countries are exploiting remains with the native exploiting class. Hence it amounts to freedom of that class.

But, it is not freedom for the working class of that country. It is still slavery for it.

## 4) Development of colonies

When one country exercises domination over the 'economy' of another country, it will exercise it in all the spheres in addition to economy.

Yet, one kind of 'positive' result of the imperialist rule in a colonial

country is that a colony would come into a minimum contact with developed science and technology.

Suppose an imperialist country started the building of railways in a colonial country. In this connection, the imperialist companies will be able to sell girders, rail engines and many other kinds of instruments. The imperialist country can transport raw materials necessary for its industries from the colonial country by means of those railways up to the seashore. From there it can take those materials to its country in ships. Thus, the imperialist country starts the work of railways in the colonial country precisely for its own benefit but not with an objective of developing the colonial country. Yet, that would contribute to the development of the colonial country to some extent. Railways will be useful for the people of the colony to travel and to transport commodities (though these uses do not reach the working class of the colonial country as they do to the exploiting class!) The scientific and technological knowledge concerning heavy machinery called 'rail' will be available to the working class of the colonial country. This contributes to the development of the colonial country.

But, a country need not turn into a 'colony' in order to secure this scientific knowledge. It can develop such knowledge even without becoming a colony. Just as capitalist countries developed scientific knowledge without ever being colonies, the same thing may happen in the case of other countries as well.

Owing to the occupation of those 'other countries' by capitalist countries, the progress of colonial countries thereafter would be subject to the interests of the countries that occupied.

The industries in the colonial countries develop into such industries which supply raw materials necessary for the foreign companies and which provide a market for the commodities of the foreign companies. (That is, by purchasing those commodities for their 'production processes').

Tobacco grows in the lands of colonial country for the sake of foreign cigarette companies. Cotton grows in the lands of colonial countries for the sake of foreign textile mills. The agricultural sector of the colonial country undergoes change in such a way that it creates market for such commodities as tractors, chemical fertilisers and pesticides, which the foreign companies produce. All other things also happen like this.

Capitalism formulates scientific and technological aspects in such a way that it is advantageous to 'capital'.

We can design a 'machine' in such a way that it gives 'comfort' to the labouring person; or that it increases the speed of the physical movements of the labouring person. More work in less time is carried out by means of the second way. The capitalist 'technique' will always aim at the second objective (the objective of extracting more labour in shorter time than in the past). This technique destroys the physical and mental health of the labouring person. Only these kinds of techniques flow from the imperialist country to the colonial country.

Thus, the development of the colonial country caused due to imperialism remains as a development tied with many chains rather than a free development. The colonial countries too 'develop' owing to their relations with the imperialist country. But such a development is subject to the interests of the imperialist country.

Since most part of the agricultural raw materials that the imperialist country needs come from the colonial countries, the percentage of land that comes into cultivation afresh in the imperialist country decreases and the percentage of the land allotted for the capitalists' sports, hunting and entertainment keeps expanding. Every imperialist country uses hundreds and thousands of acres of land and spends crores of money on cruel forms of entertainment like horse races, bull-fights, fox-hunting and dog-hunting. In the total population of the imperialist country, the population that participates in the 'productive sector' gradually decreases and the bands of exploiters, who pass their time in luxuries and forms of entertainment increase.

## 5) Division and redivision of the world

Suppose the whole 'world' consists of imperialist countries and their colonies. That is, the imperialist countries have already distributed among themselves, all the territories that are not imperialist countries. But those ratios of occupations would not remain as they are. Every imperialist country tries to retain its colonies permanently and tries to secure more colonial land. In the world where distribution is over, the only way for an imperialist country to secure a new colonial land is to grab the land that is under the control of 'other imperialist countries'.

Once the whole world is divided, what remains to be done is to redivide it. The struggles for the redistribution of markets lead to regional wars and world wars.

The international monopoly companies had distributed the entire world for the first time by the beginning of the 20th century! Each company grabbed as much as possible. By then, the entire 'globe' split into 2 parts, namely, (1) imperialist countries and (2) their colonies. There had been no 'territory' that did not belong to this part or that.

**The total land area on the earth is 13 crores, 30 Lac square kilometres. By the beginning of the 20th century, 8 crores, 90 lacs square kilo metros of land consisted of colonies! The remaining portion of 4 crores 40 Lac kilometres constituted the territory of imperialist countries! This means, all the imperialist countries together occupied the land, whose area is double their own area!**

Of those imperialist countries, some countries could 'grab' more land and some countries could grab less land. Every imperialist country held monopoly over its colonies by means of trade that their monopoly companies like trusts and cartels conducted by means of export of capital.

This kind of grabbing of other countries took place by means of several wars throughout the world.

The situation did not stop there even after each imperialist country grabbed whatever it could get hold of.

Many wars had occurred and are occurring further among the imperialist countries for the sake of 'redistribution' of colonies.

If we see what had happened after a war among some imperialist countries, we will find that those victorious countries grabbing many things from the defeated countries.

The victorious country mainly seizes 'land' from the defeated country. It takes away many products including gold and silver. It imposes many new conditions on the defeated country. It dumps the major portion of the war expenditure on the defeated country. The defeated country has to pay that expenditure for many years. On the whole, the defeated country would lose in many ways.

But, the working people of the world need not shed their tears by seeing the hardships of this 'defeated' imperialist country. If this country had won, it too would do the same things as the victorious countries are now doing. This country is not at all 'better' than others. This country, while bearing the war losses, waits for an opportunity to win in another war and tries to gain new power to do so.

Let us keep aside the aspect of losses that the capital of monopoly companies incur due to a war.

The losses that the working class faces will be innumerable.

Depending upon the scale at which the war is waged, Lacs and crores of soldiers die on both the sides. Lacs of soldiers become lame, blind, sick and mad. Not only soldiers but also the labouring population too will perish due to starvation and disease. Hundreds and thousands of villages, houses, production places, high ways, fields with crops, lakes, canals, bridges and every thing will be completely destroyed due to attacks by both the sides engaged in war. Children, who lost their parents and parents who lost their children become destitutes in thousands and lacs. Everything turns into a horrifying situation at the end of a war. What a 'victorious' imperialist country achieves by this horror and genocide would be: some new markets! Some new colonies! Some new pacts!

## 6) Such a long delay!

By the time Marx exposed the truth (through his work 'Capital' in 1867) that 'exploitation of labour' is going on, almost all the capitalist countries occupied other countries as colonies! Only during this stage, the 'truth of exploitation' was revealed for the first time! What a delay is this!! Indescribable delay!!!

We have seen before that, though 'exploitation' has been going on since the period of slavery, the material basis necessary to grasp this truth formed only under 'capitalism'.

Capitalism is a system of 'commodity' production. Under this system, prices of the factors spent on a commodity, the price of the commodity newly produced by those factors—everything appears directly in terms of 'money' calculations. Thus, a hitherto non-existing new situation forms here. Then the whole thing that is necessary is an intellect that can examine all aspects 'logically' and the outlook that can accept

the truth that reveals in that examination! When we conduct such an examination, we will be able to understand what 'value' means and how commodity acquires it. That 'logic' will finally get hold of the 'exploitation of labour'.

Rents, interests and profits—these are the means of exploitation!

The basis for all these is—the surplus value of the working class!

It was Marx who did the job of grasping this truth.

Human mind grasped this secret only after some thousands of years have passed after the emergence of exploitation in the history of the human society!

> "The value-form, whose fully developed shape is the money-form, is very elementary and simple. Nevertheless, the human mind has for more than 2,000 years sought in vain to get to the bottom of it, whilst on the other hand, to the successful analysis of much more composite and complex forms, there has been at least an approximation". (Marx in his Preface, dated 25th July 1867, to the First German edition of Capital, vol.1, p.19)

It was Aristotle (384-322 B.C) who first raised such questions as, 'what is money? What is money that we get in return to a commodity that we sell? Why do we get it?'

It was Marx, who had comprehensively analysed in 1867, what 'money' is.

In between, many people thought in many different ways. Those thoughts went on to the extent that 'money' is a medium that mediates exchanges. But, money functions as 'means of exchange' not with its 'name' but with its 'quality'!

That quality (character) is nothing but 'labour'. The 'only' article with which all the articles in the society exchange is 'money'. Therefore, 'money' is the 'general form' of value. 'Value' means that 'labour' has no specific form but has simply a 'quantity'. The value of a 'commodity' is simply the total 'labour' that it has. Only when we first grasp these points, it is possible to get hold of the portion of 'surplus value' that the commodity value includes. If we grasp 'money' simply as a 'medium of exchange' without grasping other things, it is not possible to grasp the

fact that 'exploitation of labour' is taking place in society. Since Marx grasped the fact that 'money' is nothing but labour and it is the form of value, he was able to get hold of the secret of exploitation.

Understanding 'exploitation' means understanding the way to emancipate ourselves from it as well. That way of emancipation is nothing but struggle against the system of exploitation.

The fact of 'exploitation' came out during the period when some countries in the 'world' were imperialist and some countries were colonial countries. Hence, the task before the labouring class since then has been the following:

The labouring class of the colonial countries has to struggle first to come out the 'domination' of the imperialist countries and then to come out of the domination of native exploiting class.

Similarly, the labouring class of the imperialist countries has to struggle first to oppose the colonialist policy of their governments and then to liberate themselves from the exploitation.

This entire struggle will be a long-term programme for the labouring class.

Neither the foreign exploitation nor native exploitation will perish by itself. No evil perishes by itself. The people who 'suffer' due to it have to resist it! They have to struggle against it! They have to destroy it by means of struggle only!

The main actions that oppose 'imperialism' are the following:

1. Over throwing the foreign rulers.
2. Nationalisation of foreign capital.
3. Not allowing foreign capital in the subsequent period.
4. Establishing trade relations that do not allow 'unequal exchanges'.
5. Developing native industries in such a way that they do not depend on foreign countries.
6. Abandoning relations that make colonies depend on the imperialist country and coordinating the native agricultural and industrial sectors.

Only when we make these kinds of changes, it will be a real opposition to imperialism. But if the first change alone takes place and if other changes do not take place, then it is merely a change in the 'form'. And it is not opposition to imperialism.

After the transfer of 'political power' into its hands, the native exploiting class would not take any serious steps against imperialism, except very minor steps.

Until struggle is waged against native exploitation, it is not possible to bring about such real changes as abandoning relations that make colonies depend on the imperialist countries and coordinating the native agricultural and industrial sectors.

The struggle that is devoid of an understanding about and opposition to 'exploitation' will not oppose imperialism in its real sense.

## 7) Supporters of 'imperialism'

Poets and artists in the past used to eulogise in many ways such kings who used to invade foreign countries. In the same manner, even in the capitalist age, there began intellectuals and economists, who theorize that occupying colonies is 'essential' for the colonies and 'safe' for the world.

If we see this quotation we will know what sort of arguments supporters of imperialism make. See at the end as to whose words are these!

"Chamberlain advocated imperialism as a 'true, wise and economical policy', and pointed particularly to the German, American and Belgian competition which Great Britain was encountering in the world market. Salvation lies in monopoly, said the capitalists as they formed cartels, syndicates and trusts. Salvation lies in monopoly echoed the political leaders of the bourgeoisie, hastening to appropriate the parts of the world not yet shared out. And Cecil Rhodes, we are informed by his intimate friend, the journalist Stead, expressed his imperialist views to him in 1895 in the following terms: 'I was in the East End of London (a working-class quarter) yesterday and attended a meeting of the unemployed. I listened to the wild speeches, which were just a cry for 'bread! bread!' and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism...My cherished idea is a

solution for the social problem, i.e., in order to save the 40,000,000 inhabitants of the United Kingdom from a bloody civil war, we colonial Statesmen must acquire new lands to settle the surplus population, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a bread and butter question. If you want to avoid civil war, you must become imperialists.'—That was said in 1895 by Cecil Rhodes, millionaire, a king of finance, the man who was mainly responsible for the Anglo-Boer War."—Lenin ('imperialism, the highest stage of capitalism', vol.22 of Lenin's Collected works, pp.256-7, Moscow edition)

The British monopoly capitalist is shamelessly arguing why 'imperialism' is necessary. He says, it is to secure 'new markets' for the commodities that are produced in the factories and mines! He says it is to save the country from the 'civil war'! Then what about the wars that are waged when imperialists invade colonies in order to prevent 'civil war' (to prevent revolt of the workers) in their countries? Occupying other countries is the solution that this monopoly capitalist suggests for the social problem called 'unemployment'. This solution implies that if this imperialist country gets foreign markets to sell more commodities, it has to produce more commodities here and hence more workers get jobs here. If **A** sells more commodities to a foreign country, it has to import more commodities in return from the foreign country. As a result of this, commodity production increases on both the sides. Employment on both the sides increases. True, but this is possible only due to such relations in which 2 countries exist as 'fully independent' countries. Exchanges of equal values alone should take place between these countries. If more exports and more imports take place when such relations exist, it implies that commodity production and 'foreign trade' have increased. But due to the foreign trade of the imperialist country, which forcibly occupies another country, secures its markets, sells its commodities at higher prices—nothing will happen except heavy losses to the 'colonies'. An imperialist country occupies colonies precisely for this 'advantage'. No single imperialist country in the world could solve the problem of unemployment by occupying 'colonies'. As the imperialist countries kept on occupying colonies further and further and earning more profits, unemployment problem had increased but not decreased. But, this capitalist is fearlessly making a false description that occupying other countries as a solution to the 'problem of food' for workers, that is as

something to be followed for the welfare of the workers. While one type of supporters of imperialism offer this kind of explanation, another kind of supporters express the same essence by way of another explanation.

The supporters of imperialism further say as follows:

'Imperialist countries develop colonies by supplying capital to the colonies. The monopoly companies of the imperialist countries undertake planning collectively and eliminate 'anarchy' (planlessness) in the production sphere. 'Competition' vanishes by means of agreements between monopoly companies and 'world peace' will emerge'.—Thus, the economists who are intoxicated by the consumption of 'exploited lot', begin to enumerate many advantages of imperialism.

This means, when an imperialist country occupies a colonial country, the population of that colonial country will have to be happy and allow the occupation of their country. Similarly, colonies should allow the uninterrupted flow of imperialist capital. (Why should they at all become independent countries?) These economists begin to give new interpretation that all this is good for the world.

But, we have seen before as to how a colonial country develops due to the imperialist country.

If 'foreign capital' enters a country where capital is less, it enters with many 'conditions'.

Even the country that was until then 'independent' has to subject itself to many conditions of domination when it receives 'credit capital' from foreign countries.

When a country is backward in science and technology, the foreign capital transforms that 'backwardness' into another form but it will not reduce.

Likewise, we will see in the following chapter 'Crises', how true is the assumption that imperialism dispenses with planlessness in the 'sphere of production'.

Now, the final point.

Regarding the assumption that peace prevails across the world due to agreements between monopoly companies under imperialism. The whole thing that happens by means of monopoly houses of different

countries or international monopoly houses is that the number of competing companies diminish and degree of competition raises, but competition does not perish.

If we assume for the sake of example, that all capitalist countries got united as a 'bloc', that bloc will not remain as it is because of its 'profit motive' only.

The very formation of such a bloc itself is for the sake of 'distribution of profits'; not for the sake of 'world peace'. The countries join that bloc with the view that they may trail behind other countries in earning 'profit' and other countries should not have 'more profit rate' than what it has! Thus, each country joins that 'bloc', with a view to sharing the profit. This unity is something that forms with a profit motive but not with a view to establish peace.

Suppose countries in a 'bloc' entered into an 'agreement' for a period of 10 years. It means that those counties have intended not to abide by the agreement beyond 10 years! It follows that they kept an option to get out of that pact after 10 years!

This means, the unity of monopoly companies is neither 'stable' nor 'eternal'.

There will not be any agreements on matters that can remain stable and eternal.

Such matters will stand stable without agreements, promises and conditions. But 'agreement' itself means 'temporary'! It is up to a certain period only. Every country hopes that its situation would develop further by the time the agreement ends! That is why it (the country) enters into an agreement only for some period of time.

After the emergence of international monopoly companies in the world, competition intensified further but not vanished. Owing to that competition, so far 2 world wars occurred among the capitalist countries. Even after those wars, competition and wars have been evergreen as usual!

Contradictions and wars that arise due to exploitation exist even under imperialism. They exist not only as earlier but also at an intense level. The wars that occur among imperialist countries will be highly technical in the sense that they involve use of war planes, rockets and

nuclear bombs produced by international monopoly companies. Such wars damage peace more severely than in the past.

But the worshippers of imperialism lay all their hopes of world peace on imperialism only. These people feel very happy watching 'tender capitalism' ripening into imperialism.

Suppose, for example, competition among capitalist countries has perished due to imperialism. Let us imagine that wars among capitalist countries have ceased. Does it amount to 'world peace'? Then what about the contradictions (class contradictions) between the capitalist class and the working class? What about the 'peace' for the working class which does labour for the sake of capitalist class. The 'peace-makers' of the 'exploiting class' are not concerned with this question. What they need is existence of classes as usual. Exploitation has to go on smoothly. All the capitalists have to share it by means of unity of agreements without entering into the mire of wars and live with comfort and luxury! This itself is 'world peace'! According to these theoreticians, 'world' means capitalists only! 'World peace' means peace that those capitalists get without 'competition'.

But, world means not merely capitalists but workers as well! Peace to all alone is the world peace. That is, we need a solution to give peace to the workers as well. But, the peace of the capitalists alone is not the world peace.

The solution that gives peace to the world really is not to enter into agreements to share the mass of profits. But,

Abolition of exploitation itself!

Elimination of competition in the same direction! When there is no exploitation, there will not be an element that disturbs peace!

In a system wherein all people do labour, there will not be a mass of profits that one class grabs and there will not be wars to share it.

One section of the worshippers of imperialism considers imperialism as a theory according to which 'the stronger rule the weaker' and hence has fascination for it. Here, 'strength' refers to the strength of 'capital' and 'military strength'. These strengths belong to workers only. Capital belongs to workers only! Military consists of only workers! (Unproductive workers).

Another argument that the compradors of the imperialism give is that self-reliance and self-sufficiency are not possible today. In view of the progress of 'science', today all the countries of the world have to be in 'mutual relationships'! And so on!

But, 'mutual relations' need not form at an 'unequal' level. There can be relations and those relations can be equal.

To say 'there should be equal relations among countries' does not mean that 'there should not be relations at all among countries'.

'Relations should always be there. But, they should be on an equal footing.

But, the comprador of imperialism expects 'unequal relations only'. Only such relations are mutual relations in their view. Their theory is that all the countries have to be subservient to the domination (that is, exploitation) of such countries, which possess high productivity power consisting of greater scientific and technical know-how, heavy machinery etc. According to compradors, imperialist countries can have self-determination. It is possible for those countries. It is not possible only for colonial countries. The colonial countries should not attempt at achieving self-determination and self-sufficiency. If colonial countries make such attempts, it amounts to a damage to 'mutual relations'. These are the 'mutual relations' that they talk about

But, if two countries have equal rights, duties and freedom instead of one being a 'dominant' country and another a 'subservient' country, no damage would be caused to those relations. Only such relations exist as 'friendly relations'. Even the capitalist economists too know that countries can have mutual relations without imperialist domination. As it is not 'profitable' to them, they support only such kind of relations, which they wish.

There is another type of capitalist intellectuals. These gentlemen strongly protest against and abuse imperialism.

Among these gentlemen, some people shower sympathy on 'colonies'. But, they do so only if those colonies are not under the control of their own country.

Some others strongly condemn the imperialism of their country. They say it is 'unjustifiable' to occupy foreign countries. They call it

'illegitimate'. They say many more things. But, all this, without uttering a single word against capitalism and its exploitation! Which means, they do not have criticism against capitalism. They do not have any objection in continuing that system. But, the objection is only on its transformation into 'imperialism'. For them, monopoly companies and international monopoly companies should not be formed. This means, what they wish is 'very tender capitalism'. They do not like it to become ripe; it should always be tender!

But, capitalism will never stop in the 'tender stage' only. If it develops according to its inherent laws, masses of capital grow gradually, need for large market increases, aggression on foreign countries intensifies, the minimum slogans of freedom and democratic norms of tender capitalistic period vanish—with all these processes it would inevitably transform into imperialism. These empty peace lovers are not concerned with all this. The continuation of exploitative system is 'capitalism'. The continuation of 'capitalism' is 'imperialism'. Hence, let some one dump any amount of criticism against imperialism without saying anything about exploitation and capitalism, such evasive tactics will only do good to imperialism and will not harm it.

As long as the struggle against 'exploitation' is not waged, capitalism will continue to exist in the form of 'imperialism'.

Along with it, its 'wars' too will continue!

[While seeing 'imperialism', we have to see at least to a minimum extent regarding 'World Wars'. By doing so, we will easily understand what 'imperialism' is. Here we will see briefly about the 1st and 2nd World Wars.

If we see, after the completion of the war, among the countries that waged war against each other, we will know as to why that war in fact occurred. The details that we are giving here with regard to world wars will be very brief, limited and inadequate. But, it is enough to understand the 'secret' of wars. For more 'details' one has to read the information about these wars wherever they find].

## 8) The 'First World War'

Its period is 1914-18. Britain, France, Japan, Italy, Czarist Russia, America constituted mainly one bloc. Germany, Austria, Hungary, Turkey

and Bulgaria constituted another bloc. All these countries had colonies prior to this war period. However, some had more colonies, some had less. While Britain had colonies around the 'globe', Germany, which hitherto existed as many pieces, began to 'progress' very rapidly after all its pieces got united into a 'unified Germany'. German companies began to produce equally and even more than Britain and compete with British companies that were ruling the 'world market'. (This is, they were selling their commodities on a large scale). As Germany had fewer colonies, it needed more colonies! It was Germany's hope to grab certain regions as well as colonies of Britain, France and Russia and also their colonies. The attempt of its competitors is to destroy Germany's industries completely! Britain was zealous to destroy Germany and grab its colonies, to occupy regions in Turkey, Egypt and Palestine! The dream of French companies was to occupy Sar mines and other regions and also take back its colonial territories, which Germany had grabbed earlier! Russia's desire was to occupy parts of Turkey, parts of Austria and the gulf between the Black Sea and Mediterranean Sea! America's tactic was to sell its commodities on a large scale in the event of 'war'! Japan wanted German colonies in the eastern regions! Germany and Australia too wanted the same regions that Russia wanted!

Thus, there were no regions in the world, which none of the imperialists had occupied. All imperialist countries had occupied all of them. What should happen subsequently is that each fellow should grab from one another.

About 10 years earlier, Britain entered into a secret agreement with France thus, 'I take Egypt and you take Morocco!' When he came to know about this, the German emperor went to the sultan of Morocco and told him thus, 'My support is for you only'. But, later, when France occupied Morocco, it gave some part of Congo to Germany. With this, Germany shut its mouth. This is a past event. Gradually Germany became opponent of France. Their alliances had changed.

The two new blocs were preparing for war with their respective hopes. They were increasing their armies. They were providing themselves with heaps of weapons. They were entering into secret pacts with their friendly countries. What remained to be done was 'to begin the war!' Some 'pretext' was needed for that. Such a 'pretext' had also occurred.

On 28th June 1914, a Serbian national killed the prince of Austria when he was in Bosnia, a colony of Austria. After a month, on 28th July, Austria declared war on Serbia. Russia entered the war in support of Serbia. Germany went on a war against Russia and France. Britain began a war against Germany. Japan too entered the war against Germany. Turkey and Bulgaria took the side of Germany. Hurriedly all countries made war declarations and began to participate in the war. Italy remained neutral for some time and a year later declared war on Germany and Austria. All the imperialist countries brought armies, labourers and commodities and involved them in the war.

Every country that entered into the war already entered in to secret pacts with other countries for the sake of colonial regions. Outwardly, all countries declared that they were entering the struggle for 'self-protection', 'liberty' and 'protection of democracy'.

America, without entering into the war for quite some time, supplied such products as arms, other war equipment, coal, iron, oil and bread. Its industries and agriculture expanded extensively. America began to supply its commodities not only to the warring countries but also their colonies. During that period it got many markets.

Germany and Austria were continuing their occupation of regions in Russia, Rumania, Italy and Serbia.

Japan occupied colonies of Germany in east Asia.

Britain and France occupied the colonies of Germany in Africa.

This war first began in the European continent and extended to all continents. Hence it is 'world war'.

Newer and newer deadly weapons that did not exist in the past came into the use in this war. Use of airplanes in wars began only now. Dropping bombs on civilians also began in this war only. In the battles of the past only soldiers of both the sides used to die. In this war, towns, villages and everything became a war front. Engineers and scientists, using their intellect, made hitherto non-existing weapons such as liquid fire, poisonous gas, tanks and submarines that sink ships.

Germany began to sink the enemy ships with its submarines. In April 1917, America, which until then did not participate in the war, also

entered the scene when some Americans died in the ships that Germany sank. But the real reason for America's entry into the war was its self-interest. It sold its commodities on a large scale to its allies by that time. It was still selling. If all those countries lost and German bloc won, there would not be any way to recover its loans from its allies. Moreover, if Germany won, it would become a big contender to America. Hence, America entered the war.

A wonderful event that occurred in the course of war was victory of 'communist revolution'! 'Communists' in Russia have been opposing the war since the beginning. They were campaigning among the people that they have to 'turn the imperialist war into a revolutionary war'. According to one estimate, the wounded and dead in Russia due to the war by that time were about 40 lacs. Many more lacs of soldiers were ready to die in the war fronts. Lacs of workers were working day and night at the work places in order to send products to the war fronts. Under these circumstances, an intense anti-war feeling began among the people due to the teachings of communists. The people gave support to the 'communist' revolution. The communist government was able to come into power in October,1917.

Immediately after it came into power, the communist government (under the leadership of Lenin) proposed to the warring governments and their people to stop war for the sake of peace. The imperialist governments did not agree to it. By then, the German bloc had already occupied many parts of Russia. The communist government that had just begun did not possess the capacity to fight against Germany. It was meaningless to think that if communist government continued the war, relying on the military officers, who were favourable to the old regime, they would fight on behalf of the communist regime! Those military officials would definitely act in a way that was favourable to the enemy. Hence, it became an immediate task of the communist government to retain the State power by ceasing war. The Russian communist government entered into a no-war pact with Germany by agreeing to the tough conditions that the Germany imposed, gave up many territories in favour of Germany and agreed to pay compensation.

By then there were already some treaties in the past between Russia and its allies with regard to distribution of colonies. According to those treaties, Russia should get territories of China, Iran, here and there. The

'communist government' rejected all such treatises. It declared that all the past treaties took place among the imperialists and hence it was rejecting them. Moreover, it also declared that it was leaving the then existing Russian colonies such as Finland, Persia, Armenia etc., to their 'self-determination'.

In the imperialist world that was under the frenzy of war for foreign territories, 'Communist Russia' abandoned its colonies, called back its soldiers and stopped participating in war!

The 'revolutionary' government had also announced many 'revolutionary' changes such as nationalisation of land and important industries without compensation, declining to repay foreign loans, compulsory labour for all, separation of 'church' from the State etc. All that is a different issue!

Except Russia, the remaining countries continued war for some more time. Finally Austria, Turkey and Bulgaria surrendered. Germany got defeated! The German emperor fled to Holland. A 'republican' government (a 'capitalist' republic) formed in Germany and it concluded the war at the end of 1918.

The war ceased after 4 year long destruction. The victorious Britain, France and America (also Italy and Japan) held talks for some months. The defeated countries were not present in those talks. Even among the victorious countries, except the first 3 countries, other countries did not have any considerable role. It was only the first 3 countries that took decisions. They drafted the terms and conditions of 'peace pact' at a place called 'Versailles' in France. The German representative attended it only to sign the documents of the pact. Initially, they opposed those terms. But, as the British bloc warned that they would attack Germany again if Germany did not accept the terms, the German representatives signed those documents.

The terms and conditions imposed on Germany:

Germany had to admit that its bloc was responsible for the entire crime of conducting war! It had to return the territories that it occupied from France 50 years ago. (None of the countries that imposed these terms gave up their 'colonies') Germany had to give up Sar mines area to France for a period of 15 years, then conduct a 'referendum' and later

take that region. Germany had to give away all the colonies that it had prior to the war to Denmark, Poland, Belgium and Czechoslovakia! German army should not be present in the borders of Germany and France. Germany should not possess an army of more than 1 lac. It had to remove the rest of the army. It has to remove the rest of the army. Germany could not have more than 25 warships and submarines taken together. It had to destroy army bases and war equipment completely. Allied forces would stay in the Rhine province for a period of 15 years. German rivers and canals should be under the control of an international commission. Germany had to give away its warships and mercantile ships to France and Britain. Germany had to give new ships to allied countries in lieu of the ships they lost in the war. The allied countries had the right to confiscate the properties of German citizens in foreign countries. The allied countries would supervise the exports and imports of Germany. Germany had to export its coal and iron in large quantities to allied countries. It had to give 5 thousand engines and 1 lac cars to the allied countries. There were still many more dozens of such conditions! Apart from all these, the last condition was that Germany had to pay 'compensation' to the other countries for dragging them 'illegitimately' into the war! The total compensation was 650,00,00,000 pounds. It had to pay this amount in installments.

This was the conspiratorial scheme, which the British bloc designed, in order to prevent, forever, German companies from raising their heads.

The British bloc grabbed all the German colonies. Britain, Belgium and Portugal distributed German colonies in Africa among themselves. Britain and France distributed Togo Cameroon. German colonies of pacific area and some regions of China were given away to Japan.

During this war period, China was with the British bloc right from the beginning. China participated in the Versailles summit. But when Chinese territories under the German control were taken away, they were given to Japan instead of being handing over to China.

They divided Austria into Austria and Hungary. They ordered that Austria should recognise the independence of Hungary and that it should give up its colonial territories of Czechoslovakia, Yugoslavia, Poland and Italy.

Britain took Palestine and Mesopotamia (Iraq). France took Syria! Many parts of Turkey were given to Greece and Italy. Thus, all the colonies of the German bloc changed into the hands of the British bloc.

Germany borrowed as credit some part of the compensation from America and paid the same to other countries. Thus, America got a big order for its money-lending business.

Though one need not shed tears for the sake of defeated imperialism, the condition of Germany became very 'pathetic'.

This war caused such destruction at had never occurred in the past. During this war period, lacs of people died, got diseases and became handicapped in every country due to bomb attacks of war planes, famines and epidemics.

Crores and crores were spent on such heavy killer-arms as bomber planes and war tanks.

Many changes took place in the strength and weakness of the victorious countries. During this war period, American companies made more exports than the imports. Before this war, Britain used to lend loans to other countries. It used to give loans to America as well. All such circumstances reversed after the war. At the time of conclusion of war, Britain had many debts to pay to America. It paid some of those debts by giving up its companies in America. It paid gold toward some part of the debts. It was indebted to some extent.

America took gold from other countries to a large extent towards the 'balance of trade' due to it. During that period, more than half of the total gold in the world flowed into America only. Since then, America alone became the country with largest 'money capital'. The center of attraction in the world shifted from Britain to America.

If we see after the end of war, what had happened among the countries that participated in the war? What merely happened was that victorious countries grabbed the colonies, territories and money from the defeated countries. This means, redistribution of regions (markets) and properties among the imperialist countries. Ownership over some colonies had simply changed from one imperialist country to another. Had the defeated countries themselves won, the same things would have happened even then.

However, the wonderful event that occurred during this war period was 'victory of communist revolution'. Its influence gradually spread over to imperialist as well as colonial countries.

## 9) The 'Second World War'

Before the First World War, there were agreements between American and German trusts with regard to the production of electrical goods and ships. But none of those agreements remained as they were. All those agreements were broken in the war for the re-division of the world. Even after the war, many monopoly companies of steel, copper, other metals, cloth, radios, oil, cement etc., entered into agreements again. But, these agreements too did not remain as they were. Regional wars have been taking place at every place. Circumstances after 20 years of the First World War had led to another world war for the 're-division of the world'.

Italy and Japan were in a State of dissatisfaction for they did not get colonies as they wished in the First World War. The situation of Germany is obvious! Needless to talk about its agony! Even enemies should not experience such a hardship! In addition to the dissatisfaction of these countries, the 'spectre of communism' has newly begun to haunt many countries. Under the influence of 'Communist Russia', communist parties and socialist parties had begun their activities in all the countries. In January 1919, the communist revolutionaries in Germany attempted a 'revolt' but lost it. (In this context only, communists like Roza Luxumberg and Karl Liebneckt were killed). In Hungary too, a revolutionary government came into power and fell within a few months. In Baltic States of Latvia, Estonia, and Lithuania and also in Finland that were part of erstwhile Russian Empire revolutions broke out and fell within a short time. But, after some period of time they turned into 'soviet republics'. Though communist governments were not able to sustain, communist activities were going on in every country. Formation of trade unions, strikes, attempts of poor peasants to distribute the lands of the landlords etc., that were absent earlier had now begun.

Movements against Britain and France by their colonies were going on in Turkey, Syria, India and other colonial countries.

After the First World War, the main task of the capitalist class was to simply 'suppress' the communist movement. In many capitalist

countries, 'dictatorship' came into power. These governments suppressed even the capitalist democracy.

In Italy, the 'Fascist' party under the leadership of Mussolini declared 'expansion of Italian Empire to the level of old 'Roman Empire' as its objective. 'War makes man great. Just as delivering the child is for woman, war is for man. A country that does not wage war cannot stand'— These are the ideas of Mussolini!

In Germany, the 'Nazi' party under the leadership of Hitler declared 'rapid progress of Germany by rejecting the terms of Versailles pact and expansion of German empire' as its objective. One of the targets of Hitler was destroying Jews. The Italian capitalist class and the German capitalist class considered Mussolini and Hitler as their saviours and their leaderships followed the path of dictatorship.

Fascist movements triumphed in Hungary, Poland, Portugal, Spain and other European countries.

When a war is over and after countries arrive at some agreements, those agreements do not remain as they are. Every imperialist country feels dissatisfied and agitated even after entering into agreements. It waits to violate agreements. No agreement continues till the end.

In 1931, Japan invaded China and occupied some territory. In this occupation, Japan confiscated British and American properties in Taiwan. Yet the British bloc felt happy over the Japanese occupation of China. Because, it merely wanted the weakening of the then developing communist movements of China some way or the other.

In Germany, all the actions rejecting the terms of Versailles pact were going on. Germany was preparing for war by such acts as increasing its army and navy, stopping payments of compensation and stationing armies in the French borders.

While Italy and Germany had the 'common dream' of occupying the entire Europe, Japan had its 'own dream' of occupying entire Asia!

In 1935, Italy went on occupying Albania, later Ethiopia and Absynia. Britain and France lent their secret support.

In 1936, Italy cooperated with the dictator 'Franco', in order to destroy the 'republic' in Spain. Since Britain opposed its action, Italy took the side of Germany.

In 1938, Germany entered Austria. Later, it annexed Czechoslovakia.

On 1st September 1939, the 'Second World War' began with the entry of German armies into Poland.

There were 2 blocks even in this war as well. Britain, France and America constituted one bloc. Germany, Italy, Japan constituted another bloc.

As Germany occupied Poland, Britain and France declared war on Germany. But, they could not help Poland in any way.

Before Germany's occupation of Poland, the Soviet government in Russia (under the leadership of 'Stalin') tried to have a 'no-war pact' with the countries of Britain. But, those countries did not agree to have a pact with Russia. Later, Russia entered into a 'no-war pact' with Germany. But, the subsequent events create a doubt as if that pact did not confine to an understanding 'you do not attack me. I do not attack you', but to an agreement that 'Let both of us attack others'.

While Germany occupied Poland from one side, Soviet Union too occupied Poland from another side. Occupation of Poland was over within 3 weeks! Germany and Russia came to an agreement on September 29 in order to divide and share Poland.

Later, Germany occupied serially Norway, Denmark, Belgium, Holland and later France.

Those who were fascinated by the speed with which Germany waged war called it 'Lightening War'.

Italy invaded Greece and faced defeat.

Germany was able to capture Greece, Yugoslavia, Bulgaria and some more regions. Germany occupied entire Europe except Britain.

In the meantime Soviet Russia asked Finland to give some land to build its military bases. Finland rejected it. Immediately Russia attacked Finland with war planes and showered a rain of bombs. Finland people fought defying death. Russia met with terrific losses in the beginning. It showered many more bombs. Finally, Finland surrendered. It gave up the territories, islands and nickel mines, which Russia wanted from it. Finland was compelled to agree to give the Peninsula area on lease to Russia for 30 years. Finland also agreed to assign the right to construct a

railroad between Finland and Sweden. On the whole, in this war, Russia secured 10 thousand square miles of territory from Finland, formed it as a republic and declared it as a part of Russia.

The Communist Russia, which opposed imperialism during the First World War with the revolutionary slogan 'turn the imperialist war into a revolutionary war', had become, after 20 years, a country that itself attacked other countries! Instead of teaching communism to the people of its own country as well as to the world, demonstrating real communistic changes in its own country and depending on the 'communist capacity' of the people, it tried to seek 'protection' by forcefully occupying the border countries like a capitalist country and establish its military bases.

Germany, having occupied all the European countries except Britain and forced all the countries to declare their surrender turned toward Russia. It already set aside its 'no-war pact' with Russia and attacked Russia on 22nd June 1941. It thought that it would complete the occupation of Russia in 2 months.

In December, Italy declared war on America.

While the German army was pushing forward by occupying Russian territories, Britain and America got frightened at the German victories. They declared support to Russia.

On the other hand, Japan dropped bombs on an American harbour in December 1941. 200 ships and thousands of people perished. Immediately, America declared war on Japan.

By the middle of 1942, Japan occupied Malaya, Burma, Indonesia, Philippines, Singapore, Thailand, Hongkong and many more regions in Asia.

Britain, America, Russia and another 26 countries issued a joint Statement that they have to fight jointly and they should not enter into individual and separate agreements among themselves! In 1943, Britain and America occupied Morocco, North Africa and Algeria; also Italy! They arrested Mussolini. They (Britain and America) killed him later.

Russian soldiers and people fought with the German army with unimaginable bravery and sacrifices. In February 1943, 90 thousand soldiers and officers of the German army surrendered to Russia. 3 lacs

of Germans died in Russia during this war period.

It was the soviet people who got the reputation of defeating the Hitler's army. But, they had already received disreputation for having illegitimately attacked Poland and Finland earlier.

By June 1944, Germany fell into a situation wherein it had to fight with the enemy armies from 3 sides.

On 2nd May 1945, the Soviet Army entered Berlin, the capital of Germany, while driving away the German army from Rumania and Czechoslovakia.

People like Hitler and Gobbels committed suicides. War continued for some more time in Asia against Japan.

America dropped dreadful atom bombs on Japan in the month of August: one on Hiroshima on 6th and another on Nagasaki on 9th. Due to these bombs, not only the cities were destroyed but also a population of 3 lacs and 20 thousand people died. Japan surrendered on 14th August. With this, the Second World War ended.

What had happened after this war? Again a 'redivision of colonies' took place.

Compared to the deaths, loss of property, violence, horrible things etc., that had happened during the Second World War, the First World War appears to be a very minor war. Many deadly weapons, especially 'atom bombs', that were not there during the First World War had emerged in the Second World War.

Even after the Second World War, regional wars have been taking place at any or every place. Heaps of deadly weapons that are hundreds of times powerful than before are still increasing.

The imperialist countries have so many deadly weapons that the globe would break into pieces, if another World War takes place now!

All these facts prove how meaningless the arguments of imperialists are: that 'competition' vanishes due to agreements among the monopoly companies as they develop; and that there would be no scope for wars.

There is no question of elimination of competition under 'capitalism'.

Hence, no question of elimination of wars.

If a country initiates the communist path in a given period of time but if it does not sustain in that path and leaves it gradually and if it revolves in the path of capitalist 'profit rate' and capitalist competition, there would be anything except 'communism'. History has amply proved this truth.

## Questions :

1. We find great kings and emperors in history lessons, religious books and mythological stories. Cite some names.
2. An imperialist country directly ruled India for some period of time. What is that country? Can you tell when and how its rule began?
3. **A** is an imperialist country. **B** is a colonial country **A** and **B** sell sugar and cotton respectively to each other. The price of sugar is 4 rupees per kilo. The price of cotton per kilo is 2 rupees. That is, a kilo of sugar gets 2 kilos of cotton. While this is so, the productive power of sugar doubled. The productive power of cotton has not changed at all. Now, how much cotton should **A** take by giving 1 kilo of sugar? **A** fixed the price of the sugar as 3½. That is, it decreased than before. Is the reduction in the price of sugar proper? Is the present exchange between sugar and cotton an exchange of equal values?
4. **A** lends a credit of 300 dollars to **B**. Rate of interest is 10%. **B** bought commodities from the companies of **A** with the money borrowed from **A**. What advantages did **A** have due to the credit that it lent to **B**?
5. Do you know any names of foreign companies functioning in India? Do you know the names of foreign banks?
6. Mention some foreign goods that we use daily?
7. Did India become 'independent'?

   Did India 'nationalise' foreign capital?
8. Is there foreign capital in India even now? Which countries have their capital and in what forms?

9. If companies of **B** buy the government bonds of **A**, does it amount to investing capital in **B** by **A**?
10. Are there any companies in India that run under the joint ownership with foreign countries?
11. Are the legislators (Members of Parliament and Assemblies: MPs and MLAs) in India representatives of the Working Class? Or, representatives of landlords and factory owners?
12. Engineers design the machinery. Scientists conduct researches on many things. How can these 'workers of higher mental labors' render 'service' to capital?
13. What is 'war'? Why do 'wars' take place in 'human society'? Is it possible or not, for the societies to live without 'wars'? If it is 'possible', how? If not how?
14. Before the First World War, the capital that Britain, France and Germany invested abroad is, let us say, 20 thousand crores of francs (20000,00,00,000). The income received on this 'capital' as interest or profit is, let us say, 8 per 100. How much income per year did the countries that invested their capital might have received?
15. Suppose America occupied Philippines and Japan occupied Korea. If a Japanese citizen criticises America and does not raise his voice against Japan, will that person be a patriot or opportunist?
16. 'While the national income of the Great Britain doubled during 1865-98, its income from the foreign countries increased 9 times". What does this mean?

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Chapter 5

# Crises

By now, we have completely seen how 'surplus value' that comes after the sale of the commodity gets distributed.

Only if the sale activity smoothly goes on after the production of a commodity, return of the whole of the expended capital and the distribution of the entire 'surplus value' to the respective recipients takes place smoothly.

So far, whenever we spoke of the 'process of production', the 'process of circulation' and the 'process of reproduction', we meant that the entire commodities produced in all the branches were sold instantly. If the entire commodity is sold and consumed instantly, there will not be any problem in carrying on production processes again and again in any branch.

But production processes under capitalism do not take place so smoothly and so uninterruptedly. Under this system, periodically a situation arises whereby large parts of the commodities in many branches stagnate without being sold. Such a situation itself is a 'crisis'.

If the commodity remains unsold all other subsequent things come to a stand still. Which means, return of 'capital', receipt of profit, interest and everything stands still.

As commodities come to a standstill without being consumed instantly, certain kinds of commodities would get spoiled completely. Not only that, the profit on the commodities would not return but the capital too perishes without coming back. Even in the case of commodities that do not get spoiled in a short time, costs of storage increase if they are not sold in time and the 'profit rate' decreases when sold much later. Sometimes prices might decrease and there will not be a profit at all.

The need for producing a new commodity again in any branch arises only if the entire commodities that are being produced continue to be consumed. If most part of commodities remains stagnant, the need to produce the new commodities does not arise until the old commodities are consumed. Under such circumstances, the capitalist either drastically reduces or completely stops the processes of reproduction.

In such periods of time, they remove some or most the of workers from the jobs. These newly unemployed workers join the ranks of 'unemployed working class population'.

For many workers, full-time jobs turn into part-time jobs. Wages decrease. These people too become nearly equal to the unemployed persons.

The capitalists decrease the wages of those workers who are in full time jobs as well. They say, 'As the commodities are not selling, we can't give full wages'. A situation arises whereby workers are compelled to accept any amount of decrease in the wages.

The condition of those workers, whose wages have 'not decreased' too does not remain as before. Because, in a working class family where three or four persons used to work earlier, one or two of them would now lose their jobs completely and all family members have to live on the wages of the remaining members. Though those wages are full wages, the quantity of products that the family could use would not be as before, the products decrease a lot.

If we consider those working class families where all the family members of which lost their jobs, we have nothing to say about them except—starvation, diseases, begging, thefts, murders, suicides!

Thus the situation, wherein commodities stand still without being sold, constitutes a 'crisis' to capitalists on the one hand and workers on the other. However, this crisis poses the 'problem of inability to earn profit' for the capitalist class, while it poses the problem of inability to earn necessaries of daily life (impossibility to live) for the working class. On the one side it is a problem of 'profit' and on the other side it is a question of 'life and death'. Hence, a 'crisis' does not constitute the same meaning for both the classes. It will have different meanings for different classes.

In the hitherto existing history of capitalism, the first crisis occurred in 1825. Since then, conditions of crises have been forming periodically. So far some dozens of crises had occurred.

Now we have to see answers to such questions as 'why does it happen so? Why do conditions of crisis keep forming?'

If we say that commodities in 'textile' branch (in a given branch) became stagnant, it does not mean that even a single metre of cloth remains unsold. Society always needs some quantity of cloth. It sells as long as it is necessary. That itself is 'market demand'. Only those commodities that are produced beyond the given demand will remain unsold. After some time, it leads to a situation wherein the 'process of production' is reduced and even stopped completely.

Hence, the immediately apparent reason for the crisis is 'over-production'.

'Over-production' does not mean production that is in excess of the needs of all human beings in society. It simply means, production that is excess over and above the market demand.

The real cause for over-production is the mode of production that has a profit motive. That is, Capitalist Mode of Production (CMP).

We may classify conditions that lead to 'over-production' and 'crises' into certain factors as follows.

1. No scope for a 'collective plan' in society.
2. Competition for more profit.
3. Consumption of heaps of 'surplus value' by the capitalist class.

Though we have seen all these factors earlier, we have to briefly mention them here once. In fact, all these factors are intermingled with each other.

**(1) No scope for 'collective plan:**

'Collective plan' means coordination between the quantities of products produced in different branches of production in society. The quantity of production in a given branch should be proportionate so that it can be used for the sake of products of certain other branches. But, under capitalism, there is no scope for a 'collective plan' either among different branches or among different kinds of capital within the same branch. Though all the capitalists in each branch make estimations with their 'market knowledge', every fellow will have the market knowledge of his own. Those estimates will not be correct. Since every fellow produces according to his own estimate, the production of all fellows in a given branch would either be less or more than the 'market demand'.

If 'supply' is less, it is 'under-production'.

If 'supply' is more, it is 'over-production'.

Any of these conditions would lead to a 'crisis'.

If there is 'under-production' in a given branch, the problem of unsold commodities does not arise in this branch but arises in other branches, which require commodities of a given branch. This is how it happens. Suppose 100 metres of cloth has to be produced every day. The instruments of labour and auxiliary material are available in a required quantity. But, there is under-production in the branch of 'yarn'. With the available yarn, only some quantity of cloth is produced. Certain parts of instruments of labour and auxiliary materials remain unused without going into consumption. They will not have any sales. Though all of them have not been produced over and above the demand it is over-production, compared with 'yarn'. (It is 'relative over-production', instead of 'absolute over-production). That portion of over-production would remain unsold.

When a certain quantity of commodities remains unsold in a given branch, a certain quantity of commodities remains unsold even in the branches that supply the 'means of production' to that branch. Gradually, this condition spreads to many branches.

If there is 'over-production' instead of 'under-production' in the 'yarn' branch, then the condition of stagnation of commodities begins from that branch only.

We have seen earlier that, if there is more supply than demand in a given branch, the price of that commodity decreases, its production decreases gradually and supply and demand in that branch balance each other. As long as this balance continues, there will not be any problem. The problem arises only when it does not happen so. To say 'supply and demand balance each other gradually', does not mean they balance each other irrespective of the situation. Certain conditions are required even for a balance.

In Capitalism, along with the characteristic of 'mutual balancing of 'supply and demand', there will be another characteristic, namely, 'competition for profit'. This competition goes on increasing the 'supply' and creates condition wherein 'supply and demand cannot balance each other'. These mutually contradictory characteristics operate in their own

way. Whichever characteristic is predominant, a corresponding condition arises.

When supply increases and price decreases, it does not mean that all the commodities available in a given branch would definitely sell at that reduced price. All the commodities might not sell even at the reduced price. Or, the price might not decrease. By the time new commodities come, some quantities of old commodities might remain unsold in the store.

'Reproduction process' is possible even if the old commodity does not sell completely by the time the new commodities arrive. In order to carry on 'reproduction process' it is enough to sell some part of the commodities in time so as to get back the capital (that is, to buy a new means of production) and to pay interest and rent. However, this is not possible for a long time. As the commodities stagnating in the stores keep on increasing, the 'reproduction process' is neither possible nor necessary. Thus, conditions of under-production and 'over-production' arise due to lack of 'collective plan' among different branches. Yet, 'reproduction processes' continue for some period of time. They begin to limp wherever it is not possible. This problem spreads from one branch to another.

**(2) Competition for 'higher profit':**

This is something that we have seen many a time earlier. The attempt to decrease the 'cost price', to sell at the usual price and thereby to get a 'higher profit' will increase the 'supply'. Capitalism is the mode of production that aims at the 'profit' only. Since profit comes from each unit of the commodities, one has to sell more number of units of commodities in order to secure more profit. In order to sell more units of commodities, one should be able to sell it at a price somewhat lower than the other capitalists. In order to reduce the 'price', one should be able to reduce the cost of production (cost price) of the commodity. In order to reduce the 'production cost', one has to produce the commodities on a large scale.

One can save many costs and the production cost per unit decreases when one produces 200 units instead of producing 100 units. If a capitalist produces 300 units at a time, the production cost per unit decreases further. If the capitalist sells the commodities produced at such a low cost at the

same price or a somewhat lower price than the other capitalists in the same branch, he would get 'more profit'. Production of more commodities with less cost is possible only by raising the productive power. (If majority of the capitalists could do this, price of all the capitalists naturally decreases and none will have the scope to secure more profit). All fellows compete with each other, raise productive powers without any connection with one another and produce large number of commodities. But, it is not enough if they produce large number of commodities. They have to sell them entirely! There will not be any problem in selling them if the supply coincides with the 'demand'. But, supply exceeds 'demand' due to competition for 'more profit'. Some part of the commodities remains unsold. The capitalists try to sell them in foreign countries if they fail to do so in the 'native' country. The commodities begin to remain unsold only when the capitalists cannot sell anywhere.

Capitalism is neither a system that produces in accordance with the 'real needs' nor a system that produces in accordance with the 'market needs' (demand).. Capitalism, instead of supplying commodities in accordance with the demand, increases supply with a profit motive and tries for a demand in accordance with the supply. Thus, it inevitably leads to over-production and non-coordination among the branches of production.

**(3) Consumption of 'surplus value' by the capitalist class alone:**

We know that, whether we take an individual commodity or the entire mass of commodities, it consists of 3 parts, namely, **c+v+s**. We also know as to how those 3 parts are consumed.

The portion of **c** — as **c** again.

The portion of **v** — as **v** again.

The portion of **s** — as **s** again.

That is, part of **s** goes to the private consumption of the 'capitalist class', part of it converts into 'new capital' and part of it goes to 'unproductive' activities of the society.

Thus the entire 'commodities' are consumed as **c+v+s**.

Then, why does a situation arise whereby some part of the commodities remain unused when there is a way to use them as 3 parts?

One can use **c** in a mass of commodities as **c** again. Workers use **v**. Capitalists use **s**. Then, what is the problem?

If a mass of commodities has to be consumed as 3 parts, those parts should be such that they can be consumed in that proportion only. The fact that a large part of the mass of commodities remains unsold implies that the parts of that mass are such that they cannot be consumed in those proportions only! The problem arises only when a mutual connection among the branches at many places breaks and coordination is lost. This entire aspect comes under the 'lack of collective plan'.

Let us see **v** once:

Suppose workers work for the whole week and take wages at the end of the week. The commodities, which the workers produced during that week, will not come to the market as yet. Commodities, which were produced last week alone, would be available in the market. With the wages received afresh, workers buy the past week's commodities already available in the market. They buy the commodities of the latest week when they get their wages at the end of another week! This will be easily understood if we consider the case of 'grain'. Workers, who received wages at the end of a week after doing farm work throughout the week, do not buy with their wages the grain (rice) that is being produced or that has already been produced in the field. They buy grain that was produced sometime back and already is available in the market.

If we examine this briefly, workers buy the commodities of the first week with the wages received in return to the work done in the 2nd week. They buy the commodities of the 2nd week with he wages received in return to the work done in the 3rd week.

But let us suppose that the workers purchased the commodities of the 2nd week with the wages that they received in return to the work done in the 3rd week. Suppose workers lost their jobs after the completion of 3rd week. Then how can the workers buy **v** portion of the commodity already produced? To buy this, workers have to work in the 4th week also and receive wages. It is possible to buy **v** of the 3rd week only if they get 4th week's wages.

It means that if workers have to buy their **v** portion always, they have to continue in the 'work' always! It is not possible for the workers to buy products of **v** in the market if they lose 'employment'.

Workers always buy the old (previously produced) commodities with the new (current) wages. Yet, to make our example simple, we can understand it thus, 'workers buy the products of a given week with the wages of that week's wages only'. There will not be any change due to this. We have always understood the same way in the past. But, what happens generally is that workers buy the products already available in the market with the new (current) wages. That is why, as soon as workers lose their jobs, sale of the already produced articles of **v** stops.

Does this mean that the products of one week's **v** alone remain unsold if workers do not have jobs? No. The quantity of unsold production will be much higher. For this, we have to examine **s** also.

If we examine **s**: if some part of this has to convert into 'new capital', it has to be in such proportions that it can be spent as **c+v**. If proportions are not like that, it will not be possible to convert most part of it into new capital.

To make our example simple, let us consider the entire **s** as the part that the capitalist class uses for its own sake. A 'strange' problem arises from this portion of **s**. The 'oddity' is that the capitalist class will have at its disposal such a big heap of commodities, which it cannot use! We have seen earlier that as 'production powers' grow due to the competition among the capitalists, the portion of **s** too grows. Let us suppose that at a given level of productive power, an average worker in a 'working day' produces 20 articles as the 'value of labour' and 5 out of those articles constitute **v** and 15 articles constitute **s**. Let us also suppose that if productive power doubles after some time and the worker produces 40 articles as the 'value of labour', 8 of those articles constitute **v** and 32 constitute **s**. Though the wage also increased to some extent due to the rise in the productive power, **s** portion rose very much. The class that used to consume an **s** of 15 articles has to use an **s** of 32 articles now. We have seen this point in detail in the chapter 'Rate of Surplus Value' in part 2 of volume 1). As the 'productive power' keeps growing the portion of **s** grows many times.

Concerning **s** portion, here we have to recall another issue that we discussed before: every year, some portion of **s** converts into 'new capital'. Hence, every 'reproduction process' would exist as 'expanded reproduction process'. Capital of a given year would be greater than the

capital of the previous year. More capital yields more **s**. Even if we assume that 'productive power' has not has not changed at all (that is, even if we assume that the entire capital is functioning with the old productive power only), **s** of a given year would grow more than the previous year. When this is so, do we need to say specifically as how **s** grows while 'productive power' keeps growing? Thus the growth in the **s** is due, to (1) the fact that every 'reproduction process' exists as 'expanded reproduction process' and (2) the fact that 'rate of surplus value' increases due to the growth of productive powers in view of the 'competition'. Owing to these factors the mass of **s** keeps growing every year than the previous year.

It is the capitalist class that has to consume the entire **s** that keeps growing like that!

In fact, the entire portion of **s** belongs to the working class. If working class gets this portion too, the question of its non-consumption by the working class does not arise. But, as the capitalist class extracts the portion of **s** through exploitation, the capitalist class itself has to consume the entire portion. But, there would be many contexts in which it cannot consume the entire **s** portion. A 'crisis' arises only when it becomes impossible for the capitalist class to consume **s** portion.

Any one may get the doubt thus, 'what is there that is impossible in consuming more products? One can use 10 pairs of shoes instead of one pair. One can use 20 chairs instead of 10. One can use 60 garments instead of 20. What is there that is impossible in it?' In order to understand as how it is impossible to consume more number of products, we have to see the example of 'one pair of shoes' in a little more detail.

Let us consider the 'more valuable' kind of pair of shoes that the capitalist class uses. Let us say that such a pair lasts for 6 months. Suppose the capitalist kept with him 2 such pairs for his use. That fellow does not put his feet in both the pairs at a time and walk with both the pairs simultaneously. He has to use alternately. It takes one year to consume 2 pairs. Whether he uses only one pair and changes it after 6 months or uses both the pairs and changes them after one year, both mean the same. But, let us say, our capitalist throws away both the pairs within 6 months only. Or, let us say, within 3 months. Those pairs would still be usable. What will the capitalist do with those shoes he stops using in the middle?

1) Does he burn them away?
2) Does he throw them away in a corner of the house?
3) Does he throw them away outside?
4) Does he call his workers and give them free?
5) Does he sell them at half price or quarter price?

Which way does he follow out of these five ways?

If he burns those unused shoes, the problem is over. But, if he does so, it does not amount to the 'complete use' of those shoes. Those, who argue that 'one can use any number of commodities and hence there is no problem', cannot show the system of 'burning commodities before they are worn out', in order to explain what 'consumption' means.

The second way too is like the first one. 'Dumping the articles, that are given up before they are worn out, in a corner in the house and make them perish' does not amount to the 'consumption of production'.

According to the third way, if the capitalist threw those pairs of shoes out, workers would take them and use them. Or, according to the fourth system, if the capitalist calls his workers and gives them 'free', even then the workers use them. Of these 2 systems, whatever system is followed, it means that workers alone are using some portion of **s** that comes to the capitalist. But, it will not happen so in actuality. The capitalist class does not either throw out or give to the workers free any articles (except old clothes) like clothes, shoes, chairs, cots, watches, radios, scooters, cars, ornaments and houses.

Then remains the last way. That is, they sell the articles that they use for some time and dispose them of. They take back the value that still remains in those articles. They buy some other new commodity with that value. If the capitalist sells away the new commodity as well, that value too comes again into the hands of the capitalist. Thus, even if the capitalist class rapidly withdraws articles from use and since the capitalist class alone takes back that value, it alone has to use that value. Hence, it is not possible for the capitalist class to use 'unlimited number' of products.

All the commodities, which the capitalist class does not consume fully, go to the various sections of the working class. Only if all these commodities come 'free', the working class would consume the

commodities and buy commodities as ever with its **v** (wages). Then, the demand for the commodities that workers buy with their **v** does not decrease and remain as ever. But, since the commodities that the capitalist class withdraws from its consumption do not come free to the working class, the working class has to buy those commodities with some portion of its **v**. Then, the demand for new commodities that the working class has to buy decreases. Hence, the rapid change of commodities by the capitalist class does not in any manner increase the total demand.

Let us see one or two examples to understand how meaningless is the argument that 'one can consume any number of commodities'.

Suppose, in a company that produces the kind of soaps which capitalist families use, one lakh soaps remained unsold. The fact that soaps remain unsold like that does not mean that the capitalist families are not using soaps at all. It means that, while there are the required number of soaps in all the families, these lakh soaps are available in excess in a company. Even the capitalist families do not buy the commodities that they cannot use. Will the family of the capitalist of that company use the heaps of soaps so remaining unsold?

Cement: if 10 tons of cement remains unsold at a capitalist, will the family of this capitalist itself consume the entire commodity? Or, let us say that certain other elements that are necessary to use that cement productively are not available in appropriate proportions. In that case, there is no scope to spend that cement in any manner.

It is the same case with any commodity.

The problem with the portion of **s** is that there will not be a demand from the side of working class. A demand has to form wholly from the side of the capitalist class.

Therefore, the entire **s** gets accumulated with the capitalist class. This class spends a large part of **s** lavishly on the 'unproductive activities'. It lives luxuriously with all frenzied extravagances. It lays lot of production waste without using it. It rots lot of production unreasonably. It throws some production on to the working class in the name of charities. When there is excess **s** so much that it is not possible for the capitalist class to spend irrespective of what it spends and how much it spends, the problem of 'over-production' arises.

Here we have to take a 'secondary exploitation' called 'commercial fraud' into consideration. If we take 'commercial frauds' into consideration, it would become clear that the working class does not use **v** fully. The working class has to buy necessaries of daily life with its wages from the capitalist class only. If we add all the commercial frauds such as adulterations and false weights that occur at the time of sale, the working class will not get as much production as it ought to get in return for its **v**. The entire production that is saved due to commercial frauds remains with the capitalist class only. (All that remains with the commercial capitalists that sell the kind of means of subsistence that the workers use). It means that, though it appears outwardly that the working class is using the portion of its wages, this class does not get even this portion. When it becomes impossible for the capitalist class to use **s** portion itself and if the portion of **v** saved due to commercial frauds gets added to **s**, the capitalist class would be buried under heaps of commodities.

We have raised the following question earlier: 'why does some part of the commodities remain unsold when there is a way to spend any commodity terms of **c+v+s**? If we look for the answer of this question, we will find the following reasons: (1) Absence of proper 'proportions' among the branches of production and (2) Presence of excessive portion of **s**, which even the capitalist class cannot use.

Suppose 'supply and demand' are equal in all the branches. If we consider such a stage as the beginning, supply and demand in all the branches would be of various kinds after nearly 10 or 15 years. If we look at the changes that occurred during these few years, we will find the growth of productive powers in all the branches at varying degrees and the competition among the productive processes in all the branches. In this 'competitive struggle' that raises the level of production, it is enough if over-production occurs in one or two important branches so that the decline of sales in all the branches gradually starts.

As the sales decline due to the absence of demand for the commodities, 'prices' fall.

Suppose production is 'double' in all the branches. Owing to this growth, prices ('wages' as well) in all the branches fell, let us say, to half. If every capitalist buys others' commodities at half their price and sells his commodities at half their price, it amounts to a no-change in the

prices. Similarly, if wages and the commodity-prices fall to half, the quantity of commodities that a given wage gets will not change at all. Hence, things will not change if prices and wages in all the branches fall at the same rate.

But the price fall during the crisis period will not be at the same rate in all the branches since 'over-production' would not be the same in all the branches. Moreover, while the prices of rapidly perishable commodities fall to a greater extent, the prices of commodities that may be preserved fall to a less extent.

What does it mean if the price in the branch **A** falls by 20% and the price in the branch **B** falls by 30%? It means that the price in **A** has not fallen at all and the price in **B** fell by 10%. The capitalist in the branches where prices fell sharply will lose heavily. 'Loss' may mean, profit that they used to get through the previous price may decrease to some extent; or it may sharply fall; or it may fall to such an extent that even the 'capital' will not return. All this depends on the respective conditions. Though 'over-production' is not there with the small scale capitalists of these branches, their prices too fall. Hence, they may go bankrupt because they do not get back even their capital.

Whether during the crisis period or no-crisis period and whether when commodity-price fell or rose, no change would take place in the case of 'use-value'. 'Use-value' neither decreases nor increases owing to a change in the price. Variations occur only in the ways in which 'value' is received.

When we speak of fall in the price of a commodity, we have to understand the difference between 'the availability of a commodity to a person at a low price during the general 'no-crisis period' and the fall in the commodity price during the 'crises period'.

**During the no-crisis period:** Suppose capitalist **A** cheaply sold his commodity of 10 price for only 6 price to the capitalist **B** due to his personal needs. If it happens like this, **A** incurs 4 loss in this transaction. **B** gets 4 profit. A's loss is B's profit.

**B** might do any one of the 3 things with the commodity that he bought cheap for 6: (1) Either sell it again, (2) Or, use it productively, (3) Or use it for personal consumption.

What will **B** get if he sells that commodity again? Though **B** got that commodity cheap at 6 only, he would get 10 money since its market price is 10. That is, he gets 4 profit. **B** gets this profit in the form 'money'.

Or, if **B** uses that commodity for his personal consumption, it would serve **B** as use-value. There will not be any change in the use-value irrespective of whether the commodity price falls or rises. It continues to be as before. **B** gets 10 use-value for 6 only. **B** gets 6 profit even now. However, he gets this profit in the form of use-value instead of 'money'.

When a person gets a commodity 'cheap', it is a 'profit' for him whether we consider it as 'value' or 'use value'.

**If it is during the crisis period:** In this situation, let us suppose that, the '10-market price' of the commodity became 6 due to lack of demand for the commodity in a given branch. Let us say, **A** sold this commodity to **B** for 6 only. **A** incurs '4-loss'. But, does **B** get '4-profit'? Answer to this question depends on 'how **B** uses that commodity'.

If **B** uses this commodity for personal consumption, he gets a profit of '4 use value' since he got '10 use value' for 6 only. But, if **B** again sells this commodity which he bought for 6, he cannot sell it for more than 6. It is because its price falls throughout the branch that produces that commodity. **B** will not get profit even if he sells that commodity again. Or, even if he uses productively, he cannot count its price more than 6. Therefore, **B** will not get the profit in the form of money through this commodity.

When we speak of 'price-fall', we have to understand as to how and in what context it occurred.

No changes take place in the case of use-value irrespective of whether price falls or rises. Any number of changes occur only in the case of 'value'.

Let us suppose that during the crisis period only, after **B** bought the commodity of 10 price from **A**, its price rose a little and it became 7.

**B** sold it to **C** for 7. **C** used it for his personal consumption. If it had happened like this, who received **A**'s loss as profit? **B** got '1 profit' in the form of 'value'. **C** got '3 profit' in the form of use value. Thus, whether the value that a person lost during the crisis period went to another person

or not depends on such things as 'whether the buyer used that commodity for his personal consumption or sold it again and if sold at what excess rate.

If the loss of one person does not reach another person as 'value', it would reach even as a 'use-value'.

'Crisis' does not simply mean 'inability to sell the entire commodities'. Though some one is able to sell the entire commodities, it is also 'crisis' if he sells at a 'reduced price'. It means, selling of commodities does not mean to get rid of them by selling than at some price or the other. One should be able to sell the commodities at a price that would get the 'consumed capital' as well as 'the general profit' over that capital. 'Over-production' means 'over-production at a particular price' but not at a reduced price. The entire commodities may be sold out at a sharply fallen price. Hence, it will not be over-production at the reduced price. If price falls so sharply that the capital does not return, then it is bankruptcy. It is a very serious crisis for capital. Anything that makes the hitherto existing general conditions impossible is crisis.

This situation of 'crisis' arises under capitalism only. None of the factors that lead to this situation existed in past societies. Though 'exploitation' exist in earlier societies, production that went into the sale was very less. Even that production was undertaken only after knowing the demand. As production there was not meant for 'sales only', we do not find a situation whereby people produced commodities in competition with each other and looked for orders later. Moreover, productive powers in those societies were at very low level. Hence, the portion that the exploiting class got by way of 'surplus production' was not on such a large scale that it (the exploiting class) could not consume it. Therefore, the system of exploitation in earlier societies continued without the phenomena of over-production, stagnation and crises.

Only under capitalism, more particularly after the emergence of 'large scale industry', 'competition' increased and conditions of crisis, whereby commodities stagnate, began.

If the commodity of a capitalist has to convert into 'money', money of the capitalists of many branches will have connection with that commodity. This commodity converts into money only if other capitalists and workers buy it. Conversion of $\mathbf{C^1}$ of one capitalist into $\mathbf{M^1}$ means

conversion of others' **M** into **C**. The conversion of the commodity of the cotton capitalist into money means conversion of money of the yarn capitalist into a commodity. Thus, turnovers of capitals of many branches are intertwined with one another. If this chain of exchanges is broken at any point, its influence spreads in many directions.

Initially, crisis begins to manifest in the form of stagnation of commodities with the commercial capitalist. As the stagnation of commodities increases, the commercial capitalist perceives it and accordingly either reduces or stops completely the purchase of commodities from the productive capitalist. As a consequence of this, the productive capitalist, who gets commodities produced, would either reduce or stop the 'process of reproduction'.

Crisis is like an 'epidemic'. When reproduction in a given branch, recedes or stops, the same thing happens also in many branches that supply means of production to this branch. It would still spread to many more branches.

Unemployment of workers from 'productive' and 'trading' branches too continues to exist.

In a society based on 'exploitation', hunger on the one hand and comfort and luxuries on the other have always been in existence. Yet, this situation reaches a more intense stage during the crisis periods.

During the crisis period, 'lots' of commodities lie idle in the store-rooms and godowns of productive and trading capitalists belonging to many branches. Instruments of raw materials, auxiliary materials, necessaries of life etc., (all that serve as 'capital') are abundantly found in heaps and piles. Sometimes they are found in necessary proportions and sometime they may not be found. But they are found in such a situation whereby all of them remain unsold and hence unconsumed. Though all the means of production are ready, 'processes of production' are found in a shrunken stage. All the machines in the work places cease to function. A large part of 'capital' lies waste. Majority of the working class population is trapped in the web of unemployment. The most urgently needed food stuffs, clothes, shoes, medicines and all such products are imprisoned in the store-rooms of capitalists. There will not be any way for the working class population to get them. Disease and death become intensified among this population.

The entire problem is not because workers have not produced more articles but because they have produced more articles! It is because they produced abundantly in heaps and piles and handed over to the capitalist class!

To the question, 'why do workers not have food stuffs', we have to offer a strange answer thus, 'because they are available in excess quantity with the capitalists'.

"Why do workers not have medicines?"

"Because they are lying in 'lots' with the capitalists!"

—this is the situation!

There begin 'migrations' whereby 'unemployed working class population' go desperately in search of work. (The history of capitalism shows that 'migrations' of workers occurred on a large scale only during the crisis periods).

While, on the one hand, the working class population perishes due to hunger, disease and worries, on the other hand the capitalist class population is buried under the heaps and piles of commodities, which are impossible to be consumed. The capitalist class families can buy any number of products from those heaps and piles for their personal needs. The capitalist class population that spends a luxurious life even during the general periods immerses in the frenzy of luxuries.

## 1) 'Money' crisis; or economic recession

In any country, some 'quantity' of money is required in order to move in 'circulation' depending on the market needs of that country. The 'quantity of money' that is enough to move in circulation during the 'no-crisis period' will not be enough during the crisis period. 'Money crisis' refers to inadequacy of money to meet the circulation needs at a given point of time.

During 'no-crisis period', that is during the period when sales in all the branches take place uninterruptedly, commodity credit and money-credit operate smoothly. Leaving of the commodities, coming of money, paying of the debts—every thing goes on smoothly in the case of every capitalist.

All the capitalists will have accounts in the banks. Hence, all the money transactions among them take place to a large extent by means of bank accounts (that is, in the form of credit or debit in their account books). If **B** has to pay some money to **A**, he will not get currency notes and give them to **A**. He gives a cheque; which **A** lends to his bank. Some amount decreases in **B**'s account and some amount rises in **A**'s account. The same thing happens even if **C** has to pay some money to **A**. Owing to this system of clearance through banks without the actual currency notes, the quantity of notes required to move in circulation would be very low. This is regarding 'no-crisis period'. During this period, very little quantity of money will be enough in order to move circulation. Let us say, this lowest quantity is 100.

This 100 is the sum total of all the quantities of money available in the reserves of the banks and in the hands of individuals outside the banks. Let us suppose that techniques concerning circulation regulate the situation in such a way that this 100 money is enough for the circulation needs. The same 100 money moves again and again and satisfies the circulation needs. While circulation is going on like this with a quantity of '100 money', crisis began. It means sales are receding, let us say, in many branches. Then the number of transactions that mutually balance the credit among the capitalists by means of bank accounts diminishes. Owing to this situation, the number of balance amounts to be paid by means of 'real' money increases. Then the 100 quantity of money that was hitherto enough to satisfy the money needs would now be inadequate. The demand for 'real' money rises. The same would turn into 'money crisis'.

Suppose sales of the capitalist **A** have receded very much. **A** is not getting money. He has already borrowed commodity credit from other capitalists by then. He has to make payments of those bills. The due dates are approaching. At the same due dates, he too has to receive some payments on his bills. There is a 'balance' after calculating the credit and debit. This fellow has to pay that balance. Had all his commodities been sold out smoothly as before, this balance too would have been cancelled. Or, it would have been enough if he paid very little amount of money. But, due to stagnation of his commodities, much of what others owe to him has receded and what he owes to others is more. In such a situation, **A** requires some 'money credit' immediately.

**A** goes to the bank for 'credit'. He asks the bank to lend some money either by mortgaging his commodities or by any other way.

But there are many fellows like **A**, who approached the bank. Lots of commodities are lying with all those fellows. Had all those commodities been moving in time, many of them would not have faced this new problem of credit. All of them have not only bills that they owe to others but also bills that others owe to them. For some, the due dates of the bills that others owe have not approached, while others had to pay some balance to others. On the whole, all of them require money immediately. Some among them have to pay old debts to the banks only. While some others have to pay to other capitalists, those capitalists have to pay to banks or others.

Those who require immediate credit alone have arrived there.

Again some more people require credit the next day.

If we look at the situation of the banks: they are not in a position to lend new loans. Even if they lend, they are not in a position to lend so much credit to so many people since they have not been getting back the previous loans in time. The capitalists who borrowed credit in the past are now not able to repay to the banks as they are unable to sell their commodities. They are trying to pay their old debts by borrowing new loans.

Banks have not one problem but many. While non-recovery of loans is a problem, the depositors begin to withdraw their deposits for their own needs. Banks will be unable to return the deposits. Depositors, who sensed this problem of the banks, intensify the activity of withdrawing their deposits. Banks, on the other hand, exert pressure on the capitalists who owe to them. Those capitalists, in turn, will again fall back on the banks either to sell away or mortgage their commodities or to discount their bills or to secure fresh loans at higher interest rates.

While this is so, the capitalists, who get money either due to slight sale of commodities or due to the recovery of old loans, hesitate to deposit that money in the banks even temporarily and keep it with them only. Which means, new deposits to banks recede.

As many parts of 'money' cease to move out of the private reserves of the capitalists without coming to the banks, some quantity of notes that have to move again and again in circulation disappears suddenly.

Coming of new deposits to the banks and their recovery of old loans—only if these two processes take place smoothly, the banks can give fresh loans. When these two processes recede, lending of fresh loans too recedes or ceases. Moreover, returning of deposits that are already present in the banks also becomes impossible.

We have seen earlier in the chapter "Interest-bearing Capital" how capitalists and brokers, who discount their exchange bills, cheat the banks by bringing forged bills and other kinds of false bills. All such frauds become intensified in the beginning period of crisis.

Capitalists produce commodities despite recession in the sale of commodities. They can get loans from the banks either by mortgaging their commodities to the banks or by creating fake bills without actually getting the commodities. By the time crisis impends, it might be proved that many of the bills that reached the bank are fake bills. Though those bills fall due, loans borrowed on them will not be recovered. Many such fraudulent transactions come to light only during the crisis period.

If the bank is unable to return the deposits of the depositors, it means that the bank has gone bankrupt. There might be many loans that the bank has to recover. But, the bank at the moment will not be in a position to return the deposits.

The loans that a bank has to recover may or may not be collected at a later point of time. Banks may confiscate the properties of the capitalists who have not cleared the debts. But in many cases, the confiscated properties may not be equivalent to the Bank's credit and interest. Those properties might have got exhausted due to many frauds.

Depositors may distribute among themselves the properties of the bank that has failed to return their deposits. But when they so distribute depositors may get very little. Bank's property too might have got exhausted due to frauds.

Distribution of bank's properties by the depositors who incurred loss due to the banks; or distribution by the banks of the properties of the capitalists who evaded the borrowed loans—all this occurs many years later. For the present, during the crisis period, many banks and many depositors are buried under the crisis.

It is a time when many fellows require money immediately. There will not be buyers of their commodities. There will not be lenders who give loans even if they mortgage their properties. They do not get money in any way. Extraordinary pressure builds up for 'money'. The rate of interest will be at a very high level. Yet required amount of loan will not be available.

There begins the turmoil, with such cries as: 'No-money! No money!' It appears as if 'capital is not available'. But, money is now needed not for 'new production processes'; but simply to repay the old loans. It is not 'capital' that is scarce during the crisis period. Various kinds of means of production lie in lots with all the capitalists (whether their quantities are proportionate or not). Therefore, when some one says that, 'capital is not available', it does not mean that 'there are no means of production'. Money is needed now not for buying means of production. Money that is necessary now is to pay for the things bought earlier.

'Payment of money' takes place on 2 occasions. Either to pay for the commodities bought earlier (all the occasions of clearing the debts come under this category) or to pay for the commodities bought afresh at the moment. Now the need for money is to pay the old debts. 'Formation of demand for means of payment' means the process of converting commodities into money (process of selling the commodities) has receded.

During the crisis period, the real hardship that the banks face is the non-recovery of credit lent for buying 'shares'. Because, the commodity crisis would very soon lead to the crisis in the share-market as well. Those who have shares in a company will get ready to sell away their shares as soon as they notice that the company is in a crisis.

In fact that company might be in a position to recover from the crisis without incurring much loss. But the shareholders are not concerned with all that. They become anxious to sell away to sell away their shares at the earliest possible and take back their money without incurring much loss.

The company that incurs losses during the crisis period would distribute those losses to its shareholders in the subsequent period. It may even stop paying dividends for some period of time; or may even reduce them drastically. Or, it may even treat a given 'share capital' as a reduced quantity. Which means, the company treats a share as half share or quarter

share and pays dividend on that reduced quantity only.(This includes many kinds of frauds that show that the company has incurred greater amount of loss). As they are worried about these kinds of losses, the shareholders will be in a hurry to sell away their shares during the crisis period. They think of saving that money until crisis conditions are set right and then buy shares again in a 'good' company. With a view to coming out of the present company at the earliest, they hurry the brokers thus, "sell my shares at once! Sell them even at a loss"! As the crisis exists in almost all the branches, sellers of the shares will be more and buyers less. The prices of all the shares begin to fall.

The brokers, who borrowed huge amounts of loans from the banks and bought lots of shares for their speculation business, will be unable to pay money to the banks.

Banks that lend loans by mortgaging shares offer credit on the 'market price' of the shares (after deducting some 'margin'). When those market prices fall, shareholders will not be able to repay their loans. Then banks will incur loss.

All the almirahs of the banks will be filled with bundles of securities of various types. A large capital in banks is invested on the securities (especially on 'shares'). Some part of the shares are those, which the banks bought for their own sake. Some part of the shares are those on which the banks lent credit. On the whole the entire money of the 'deposits' will be in the hands of different brokers outside. During the crisis period when 'share' prices fall rapidly, the quantity of return of the invested capital and repaying of the bank's loans by the brokers does not arise.

Taking this as a good chance, directors and managers of the banks show more fake accounts, cheat the shareholders and gain personally. When the bank sells away its shares for loss, it can show '20 loss' when it sold it for '10 loss'. Or, it can resort many more frauds.

In this manner, banks fall into many problems during the crisis period.

However the crisis condition may be, there will also be some capitalist who possess abundant money. Such fellows buy the shares of many companies at the lowest prices and keep 'stock' of them. They sell them in the subsequent period at a higher price whenever it is possible.

Until that time, they will be consuming 'dividends'. However low those dividends might be, there will not be any loss since they invested less capital to buy those shares. The buyers of those shares wait for the future to sell them again.

When there arises a great need for 'money', the government begins to make 'appeals' to the capitalists who possess black money (who hid the money without showing in the accounts). It makes announcements 'begging' those capitalists thus, "Deposit your black money in the banks. We will not say anything to you. We will not ask you the details as to how you got that money. Moreover, banks would also pay you interest", In this manner, some deposits may come to the banks. But, the entire 'black money' will not come out.

Banks might follow some more kinds of ways in order to mobilise fresh deposits from the capitalists. But none of them will be that effective during the crisis period.

During the 'no-crisis' period, when commodities smoothly move by means of 'credit system', 'banking system' appears to be the most wonderful system for the capitalist. During that period, the fellow talks very confidently thus, "What is the need of money? We can carry on all the transactions without money through banks by means of the credit system". But, his stupidity is this: while he arrogantly says, "what is the need for money" all that he does is to change the money-form through the 'banking system'. Instead of currency 'notes' he uses various papers like bank cheques, drafts, exchange bills, promissory notes and other securities. All these papers are different forms of money. Conducting transactions with these papers is similar to conducting transactions with money only. But, the capitalist, looking at these papers, proudly says, "what is the need for money?". During the crisis period he would realise the 'great need', for the currency notes which appear to be 'greatly unnecessary' when everything goes smoothly. The capitalist will be ready to sell away the commodities at the lowest prices for the sake of those notes (for cash) only. They will be ready to commit many kinds of frauds against banks for the sake of those notes only.

The entire situation constitutes 'money crisis'. However, the basis for this crisis is nothing but 'commodity crisis'. That is, stagnation of commodities. In other words, receding of sale of commodities. This is

the problem that has arisen from the 'mode of production' itself. But, this basis is lost sight of and the whole thing outwardly appears as the problem of 'money circulation'.

In the view of capitalists, it amounts to 'economic development' if banks lend more loans. It is 'economic recession' if they can't lend more loans. According to them, it is the banks that are responsible for this 'development' as well as 'recession'. Or, techniques of money circulation themselves are responsible. Owing to the prevalent opinion that 'banking system can achieve anything, banks appear to be responsible for any shortage in money circulation.

But, the entire 'technical skill' that banks possess is concerned merely with 'circulation of money'. Using that skill, banks can lend either more or less amounts of loans from out of the 'deposits' lying with them. If they can not lend, some how or the other, more loans during the crisis period, the 'money crisis' recedes to some extent. If they can lend more loans, crisis will intensify further. It means the banks can either reduce or increase the crisis but cannot create a non-existing crisis or eliminate the entire existing crisis. The 'banking system' cannot do wonders and miracles.

Let us suppose that banks borrowed credit from the central bank and in turn lent urgent loans. Let us say that, if the Central bank removes notes from the Issue department' and lends loans to the banks, these banks lend credit to the capitalists. But in fact banks have to depend on the total deposits that they have in order to lend 'loans'. But, if they give new loans without getting back the previous loans and without fresh deposits but by simply removing notes from the Issue department, it would unnecessarily increase the total number of the notes that come into circulation. Yet banks do the same thing since they have to 'save' capitalists by doing something or the other, during the crisis period.

But, the capitalists who secure new loans, let us say, come out of the crisis temporarily by using the new loans either to repay the old loans or to meet other needs. But they have to sell their commodities later, at least to clear these new loans. 'Availability of money credit' is not the only solution to come out of the crisis completely. The problem remains as long as commodities remain unsold.

Hence, let the banks give any number of fresh loans, the crisis will not be solved.

The Banking system can demonstrate certain kinds of skill in money circulation but it cannot do more than that. It will not have more capacity than that.

When we speak of shortage of money', it may be either due to the non-availability of money required for circulation, or non-arrival of money at the banks despite the availability of money required for circulation. The solution for the 'shortage' depends on the type of conditions in which 'shortage' arose. But, whenever they speak of 'money shortage', the capitalist economists treat it every time as the problem of circulation. Considering it thus, they look for its solution only in the sphere of 'money circulation'. Finally they increase the money supply.

The capitalist, who has false confidence that he can very easily surpass the gulf of sales by means of credit system, watches with his own eyes the fact that none of the credit systems and none of the banking systems remain effective in converting dumped heaps of commodities into money.

The epidemic of crisis is not confined to private companies alone; it spreads to all: government companies, government banks and every thing.

Similarly it spreads from one country to all others with which it has trade relations. If a given country cannot sell its commodities to foreign countries, it too cannot buy the commodities of those foreign countries. If exports from a given country fall, its imports too fall. Or, if its exports cease, its imports too cease. Thus, the crisis that begins in one country spreads to and envelops the production and trading companies of other countries as well.

If shortage of 'foreign exchange' arises in a given country, it is also a 'crisis of commodity' though it appears as a 'money crisis'. The problem of foreign exchange (foreign money) arises in a country only due to a fall in the sales of its commodities. In such a situation, a country chooses to decrease the value of its money (devaluation)in the 'exchange rate' in order to increase its exports. While the rate of foreign exchange is '1 dollar=20 rupees', if the rate is changed as '1 dollar=21 rupees', it amounts

to fall in the rupee value and a rise in the dollar-value. If the rupee country decreases its rupee value and retains its commodity prices as before, it amounts to the lowering of the commodity prices. It is possible to sell some commodities when it lowers the prices. Hence the country that lowered the value of its money (that is the rupee-country) might undertake new exports for some time. But, it is only a temporary possibility. Because, the companies of the rupee-country do not retain their commodities as before even after devaluing the rupee. They increase the process of commodities in such a way that they can compensate the diminished value. This leads to the usual condition. In a country where money is devalued in order to increase exports, this change will simply lead to the raising of prices.(As the 'wages' do not rise in equal proportion to the price rise, this would reduce the number of products that the working class receives).

When the exports of a given country go on diminishing, its government can directly say to its capitalists thus, "you reduce the prices of your commodities! Our exports may rise if we do so!" But, it will not say so. Because, the capitalists will not heed the advice, "you reduce your commodity prices!". That is why, as a means at its disposal, the government resorts to the devaluation of its money in relation to the foreign exchange rate. But there will not be much use due to devaluation also. The situation becomes as usual again.

When the money value of a given country falls, people who possess the stock of that money will incur some loss. But those, who possess the stock of the foreign currency, will benefit owing to an increase in the value of their stocks. This means, when money value falls at one place, that fallen value will not disappear without being obtained by any. It goes to another place. That is, to the foreign country, which conducts trade with the country, whose money value got devalued!

Whenever a change occurs in the exchange rate, money value of one country falls and the money value of another country rises.

The capitalist of the country whose money value decreased, when he sells his commodities to a foreign country, has to necessarily take back his entire capital. There is no scope for a change in this aspect. The change takes place only in the case of **s**. That is, the portion of **s** which this capitalist decreases and the portion of **s** that goes to the foreign capitalist increases. That is, owing to the change in the exchange rate,

nothing happens except that the portions of **s** decrease at one place and increase at another place.

The basis for the problems of money shortage, crisis in the share price, crisis in the exchange rate etc., that arise in terms of 'money' is the 'crisis' of commodities.

Certain problems also arise in terms of money when rules and regulations concerning 'money circulation' are not properly followed. But 'non-observance of rules and regulations properly' too crop up from the mode of production that has profit motive. Hence, none of the problems that appears as money problem is a money problem.

Right from the beginning, there has been an erroneous assumption that all the problems that arise from commodity are the problems that arise from money. This theory of currency (theory of money) began with a false conception that 'commodity prices will be in accordance with the quantities of gold and silver available in a country.' It has assumed many false forms such as, "we can avoid money-related problems if we take out currency notes from circulation and replace them by some sort of certificates". People with such false conceptions as these suggest false solutions to all the money-related problems. But the actual root cause of any problem that arises in money circulation is the character of the mode of production.

## 2) Situation of commodities during the crisis period

Various things happen in the case of commodities that remain unsold. The capitalists first try to sell away the quickly perishable commodities at a some what reduced prices. If it is not possible, the capitalists themselves get those commodities destroyed. Burning crops overgrown in the fields, pouring the milk in the seas, crushing of vegetables under the tractors, mixing of poisonous drugs in the grains—many such inhuman incidents as these occurred in the 'history of crises'. The capitalist class resorted to such acts simply because it was unable to sell.

They can further reduce the prices of the commodities instead of destroying them. They can give commodities free to the workers. But there is no place for such 'natural ideas' in capitalism. The 'system of exploitation' is opposed to the 'natural view' in every aspect. The same is the case with this aspect as well.

When large quantity of production is available, the rate of profit, let us say, is low if the capitalists sell entire production at a lower price and high if the capitalists destroy most part of it and sell the less quantity of production at a higher price. In such a case, capitalism chooses the second method. If possible, it sells the commodities in such a way that it secures high profit. Or, it makes the unsaleable commodity useless (destroys) without letting it to go to the workers. Capitalism knows these two methods only.

Why did the capitalists destroy many tons of products like grains, fruits, milk and vegetables during the crisis periods? Why could not they give all of them either free or at the cheapest prices? Or, why could they use all of them for their own families? Those who argue that "we can use any amount quantity of commodities; what is impossible in it", are not concerned with these facts.

This system of destroying commodities was not there in the earlier forms of society as there was no problem of 'over-production'.

When there is 'over-production' in the case of not so quickly perishable commodities like iron and coal, capitalists try to stop the reproduction process as far as possible and keep the prices of the available commodities unchanged. But they are obliged to reduce prices if the capitalists, who have dire need for money, have to sell urgently.

Large monopoly companies possess money reserves during crisis conditions also. These companies will be able to secure money credit during crisis conditions also. Capitalists of such companies buy up commodities of fallen prices from other capitalists and store them: some for the consumption in their companies and some for resale. The capitalists who first sold out those commodities cannot again begin immediately the 'reproduction processes' on the usual scale. This is not possible for them unless the entire commodities which they sold are consumed.

Companies, which are compelled to sell commodities at the lowest prices during the crisis period, will incur losses since their capital too does not return.

Shareholders begin to sell away the shares of such companies. Bigger companies buy up such shares and take over those companies.

During every crisis period, the number of small-scale companies decreases and the capitalist monopoly companies increases.

We may describe crisis from different angles and under different names such as: industrial crisis, commercial crisis, credit crisis, money crisis. The essence of all these crises is the same.

'Industrial crisis' means interruption to the reproduction process.

'Commercial crisis' means interruption to the commodity sales.

'Credit crisis' means interruption to the payments of loans and borrowing of loans.

'Money crisis' means interruption to money circulation.

We may call all these crises economic crisis. The root cause of all these crises is the same. It is 'commodity crisis'. All these are different aspects of commodity crisis.

**From 'crisis' to 'crisis':**

Crisis period might continue for some months and even years. It depends on the duration that takes for selling the stored commodities. Until that time, 'production processes' would be on a reduced scale.

As the stocks of commodities exhaust gradually, production processes recover and return to normalcy.

By the time a crisis ends, minimum balance in important branches is formed. Fluctuations in the quantity of products adjust themselves.

As the profits of the capitalists diminish to some extent during the crisis period, they make new attempts to earn those profits. The struggle to raise 'productive powers' will again begin now.

The capitalists have to sell more commodities in order to earn more profit. In order to sell more commodities, they have to offer their commodities at a price lower than the other capitalists. In order to offer commodities at lower prices, they have to decrease the 'cost of production'. In order to decrease cost of production, they have to further raise the productive power. Thus a competition to raise productive powers will again begin under the name of 'rationalisation'. 'Rationalisation' under capitalism means change of techniques'! Reducing the number of workers!

Capitalists, in fact, were not able to use fully the productive powers that were ready at their 'production places'. 'Over-production' resulted only due to the production processes that were carried out with the then existing productive powers. There was no way to sell that production. The capitalists keep on undertaking research to improve their machinery. The intellectual labourers use all their intellect and make the machinery more productive. They invent new machines. Workers who use those machines receive new training again.

Though constant attempts take place in all the branches in order to raise the productive power, they (the attempts to raise productive powers) initially take place in one or two companies, especially in monopoly companies that operate with large capital. A demand rises for the workers of those branches that supply means of production to those monopoly companies. An 'increase in demand' simply means, it increases compared to the past; it does not mean that it would increase to such extent that it eliminates the entire 'unemployment'. Whenever demand for the workers increases, some part of the unemployed population gets jobs. The remaining population lives in unemployment as ever. This means that under capitalism, the entire working class population does not get employment even during the periods when demand for workers rises. Only either decrease or increase of the unemployed population takes place.

Again, 'production processes' will go on in all the branches. Happy mood enters again into the 'business world'. Commodity sales will go on smoothly. All the capitalists nearly forget the deadly dream of the previous crisis.

Gradually, productive powers in different branches expand in a haphazard manner. Again some thing happens some where. Commodities will again pile up. Again, sales in one or two branches will begin to recede. Gradually, this recession extends to more number of branches. The production process will begin to limp. Removal of workers from jobs will increase. Again, everything will go on as before.

Crisis again! Piles of commodities again! Sufferings of workers again! Everything as before, again! The intensity of the crisis, however, will be of various kinds depending on the given conditions.

We may describe all these stages in the business world as 'industrial cycle'. This cycle includes such stages as 'uninterrupted production

process in all the branches for some period of time and gradual recession of sales for some period of time. While the term 'Boom' refers to the stage in which sales take place smoothly, the term 'stagnation' or 'depression' refers to the stage in which sales fall very sharply.

A productive power existing in the crisis period, that is, a productive power that exists at the end of an 'industrial cycle' will be the beginning productive power in another industrial cycle. It will again increase and lead to a new crisis.

The gap between one crisis and another may be 10 years, 15 years or it may be of various periods. The duration of the crisis period may also be of various lengths.

The capitalists choose 'constant rise in productivity' as a means to overcome the problem of crisis. But, that path will not at all save them from that problem. Moreover it leads them from one crisis to another; from the old problem to a new problem!

Whenever we spoke of a single 'commodity' or a 'total mass of commodities', how did we narrate the entire process? "The process of production and circulation of commodities will go on as ever. The portions of **'c+s'** in the commodity 'price' go to the capitalist and the portion of **v** goes to the workers. Thus, the 'turnover' of 'capital' takes place"—This is how we narrated the process. But, to assume that the process takes place uninterruptedly like this amounts to considering (Capitalist Mode of Production) CMP as a 'planned' system that gives no scope for interruptions! But, this is a feature which capitalism does not possess! That is why it continues to exist subject to crises.

The 'history of crises' began only after the emergence of large scale industry under capitalism. The first crisis occurred in 1825. Since then crises have been coming and going one after the other.

We will be able to understand a crisis if we know what has happened in a given crisis period. Let us now, therefore, examine a particular crisis.

## 3) The crisis of 1929

Even the capitalist economists describe the 'crisis of 1929' in the history of capitalism as a crisis that terrorised the capitalist countries.

Crisis of the earlier periods used to recede within few months. But this crisis continued for about 5 to 6 years, from 1929 to 1934.

Since the First World War, capitalists in all the capitalist countries undertook production processes by way of 'rationalisation'.

Before 1929, the percentage of exports among the world countries increased and 'happiness' appeared everywhere. But, in 1929, indications of over-production appeared in America, Austria and Germany. In America, processes in the branches of production of cars, tyres, houses, etc., began to recede. Gradually, it spread to many branches in industry and agriculture.

All such capitalist countries as America, Germany, France, England, Austria and Italy began to reduce their imports. Other countries too began to reduce imports from these countries. Within a period of a few months, 'world trade' stagnated to a great extent compared to the past.

Crisis in the industry led to the crisis in the banks. The bank of 'Credit Anstald' in Austria, unable to recover loans, went bankrupt. Deposits from the bank began to leave.

In June 1931, DarmState National Bank and Drenden bank in Germany went bankrupt. Foreign capital (deposits) from the German banks too began to leave. The German government imposed certain restrictions on the withdrawal of the deposits. On the other hand foreign deposits from the English banks began to leave. Though banks of France and America extended monetary help in the from of loans, the total deposits that England's banks lost rose up and banks in England fell in the monetary crisis. On 21 September 1931, England abandoned its gold standard and increased the quantity of notes. As a result, the value of the English pound diminished compared to the past. (England decreased its 'money value'!) England expected that it would be useful in order to come out of the 'money crisis' and to raise exports.

Foreign depositors, who realised that the money value of France too would not be stable any longer, began to send their deposits from French banks to American banks.

But, in January 1934, America too devalued the dollar to 41%. The belief of the business world that the pound and the dollar are such currencies whose value will never fall" had broken into pieces.

Germany too reduced its money value to 66%. Thus, all countries competed to devalue their 'money' and waged 'currency wars' in order to secure opportunities for exports. In this manner, crisis surrounded companies and banks of all the countries (except Soviet Union of that period!) Many thousands of companies and branches of many thousands of banks downed their shutters.

By 1932, in America, only 13% of the steel industries and 11% of the motor industries functioned.

Only 33% of the total industries in Germany functioned. The same thing had happened in other capitalist countries.

During this crisis period, crops of wheat, cotton, maize etc., in lakhs of acres in the capitalist countries were burnt down. They dumped 'milk' in the oceans. They mixed grain with pharmaceuticals so that human beings could not eat them. They killed many lakhs of pigs.

During this crisis period, not only small-scale and medium-scale companies but also giant industrial companies in all the capitalist countries perished. In 1932, the Krugger match-box factory of Sweden was indebted to many banks and went bankrupt. Krugger committed suicide. After his suicide, large scale forgeries and frauds committed by this capitalist for the sake of bank loans came to light.

In 1935, the Insil Company, which was then operating with a capital of 50,00,000,00 dollars and controlling the supplies of electricity, gas and water in 60 cities in America, went bankrupt.

Before 1929, about 1 lakh 20 thousand workers used to work in the companies of Ford in America. By 1932 only 15 thousand people were retained in the jobs. The remaining workers, numbering more than a lakh, turned unemployed. Thus, many giant companies throughout the world incurred losses.

Many monopoly companies were compelled to relax the restrictions imposed earlier on its member-companies with regard to sales-quotas and had to permit them to sell in any market, wherever they could.

Small-scale farmers in America failed to repay their loans to the banks. The farmers, however, were able to resist others from buying their lands, when banks put their lands for auction. Many incidents took place when banks extended the due dates and left the lands.

Every capitalist country reduced the scale of its production. The entire productive capacity became useless. Capitalist farmers in America stopped cotton cultivation completely. During this crisis period, production of steel, coal and iron in England had fallen back to the level of 25, 35 and 70 years respectively. There was no question of opening the gates of many factories, machines, cranes, stores and iron furnaces became dusty. Fields used to be barren for miles together. Even the capitalist newspapers could not refrain from describing this tragedy.

During this crisis period, fall of share prices occurred to an unimaginable level. It became impossible for some companies to sell their shares even at 1%of the original price. Everybody was a seller and none was a buyer. There was a continuous pressure on the brokers, asking them "sell our sales by the evening! Sell...sell...sell...se...ll...ll! A continuous shouting! Continuous phone calls! Cries! Lamentations! Losing consciousness!

According to the estimate of the brokers, Tuesday, the 29th October 1929 was 'the most tragic day' in the history of the New York Stock Exchange. On that day, the brokers sold shares at the lowest prices unheard anytime. ('Selling' implies that others purchased them, isn't it?)If sellers incur 'loss' buyers would 'gain'. There is no 'most tragic' thing here).The news that bankers too were selling away their shares began to spread. All those who were hesitating until then began to get rid of their shares. The share price, which was 100 until then, fell to 3 within a couple of days. The sellers of those shares felt happy for getting at least 3.

In America, the debts that the brokers owed to the banks by then were 6 billion dollars (600 crores of dollars). Brokers were not in a position to repay those loans to the banks. There were many stories in circulation: that brokers were committing suicide by jumping from the windows of the multi-storied stock exchange building and that some brokers were so weak that they had no stamina to climb the window or parapet wall for committing suicide.

The real tragic situation during this crisis period was that of workers of different countries. During this period, nearly half of the working class population in America became unemployed. According to one estimate, the unemployed population, on the whole, rose 4 or 5 times during this period. All these were figures available in the employment exchanges

only. Therefore, the actual number of unemployed would have been much bigger.

By then, the wages of the workers had not been rising for the past 15 years in proportion to the price rise. Thus, during the crisis period the capitalists drastically cut down the wages that were already at the lowest level.

By 1932, the capitalists in America paid only 33% of the actual wages and cut 67% of the wages. There was no system of 'unemployment allowance' in America. It was there in Germany and England. But, even in those countries all the unemployed people did not get that allowance. Even when they got, a it was a very little amount.

The capitalists used to reduce the wages for some days before they removed workers from their jobs. While putting the decreased wage in the envelope, they used to put a notice thus, "we are removing you from the jobs". Finally, they used to close down the factory.

Major changes used to take place every day in the families of the workers. In the beginning they reduced the frequency of bathing and cleanliness. They stopped their travel on Sundays. They mortgaged at high interest or sold very cheap all the household articles one after the other. And then, they went to other places in search of 'job'. They used to travel in trains without buying a ticket. They used to jump out of the train and meet with accidents whenever 'checking' was done in the trains. According to a railway report of 1932, about 30 lakhs of ticketless travelers were stranded! Whenever people got jobs, they used to get disgustingly low wages! Bogus companies promising employment began to emerge. The companies used to grab whatever the workers had and showed them employment for a week or ten days. The workers used to form queues for such jobs also.

Schools of the workers' children were closed down. Parents in many working class families used to admit their children in orphanages and used to roam in various places for jobs.

The groups of people searching for food in the municipal garbage bins had increased in number. All kinds of maladies and crimes such as starvation, accidents, thefts, attacking bread-lorries for food, shop-breaking, madness, murder, suicide etc., increased.

Workers did not know what all it was and why it was so happening.

Even the Government officials too could not find out the number of unemloyed persons and how they were living.

On March 7, 1932, workers in Detroit went in a procession with the slogans "we want work! We want work!". The police used tear-gas. The workers pelted stones. The police threw gallons of 'ice-water' and fired at the workers. In front of the Ford Company, workers wrote on the coffins thus, "when asked for bread, Ford gave us bullets!"

In 1932, the then American President, Hoover (a republican), sending a confidential message to the American congress (where Democrats constituted majority), said thus, "There should be no cut in the salaries of the soldiers. If we do so, they will join the 'revolution'. We need them very much to suppress the revolution".

There were, in fact, no signs of 'revolution' among the workers. But exploiters had the fear of revolution constantly since the Russian Revolution of 1917!

American papers did not at all use to report the conditions of the workers with any element of sympathy. They used to call workers "Hoover's blankets".

According to an estimate, there were 1 crore 50 lakhs of unemployed persons in America by 1932. Of them most suffering people were the aged-population. They had lost their bare minimum deposits in the banks. They had also lost their insurance policies. They had become homeless as they were unable to pay rents! The deaths of children and the aged people increased due to lack of shelter, food, medicine and safety.

As the productive powers 'increased' there was no need for a large working class population to do productive and unproductive labour for the capitalist class. Hence, the capitalist class was not concerned with the number of working class population that perished.

Then began the 'social service workers' with such slogans as 'welfare of the children' welfare of the aged', 'this welfare', 'that welfare' and so on.

Different theories emerged in protest against a 'crisis'. The social service workers made many kinds of suggestions to the Government thus:

That it should not allow monopoly companies, that it should permit only small-scale companies, that it should raise 'wages', that it should provide housing for the workers, that it should pay pensions to the aged and so on!

A writer named 'Sinclair' said, "Leave the closed factories and uncultivated lands to the workers! They will run them as 'cooperatives'".

All these social service workers made only 'appeals' to the capitalist government, but none of them attempted to prepare the workers for a 'revolt'.

The number of workers in the Trade Unions of America by 1933 was very low. It was 6% only. Yet some strikes took place. Workers demanded the right to organise in the unions.

By 1933, the American Banks were in an extremely miserable condition. They were unable to recover loans and pay deposits. Banks in 12 States declared 'moratorium' on the payment of 'deposits'.

Depositors became furious at the banks. They suggested various kinds of solutions: some wanted them under State control, some wanted transfer of all the bank functions to the post-offices, some wanted to cancel the currency and introduce another system and so on.

Under these conditions in 1933, Roosevelt (a Democrat)came as the new President. As soon as he came, he took up the problem of Banks as an immediate one. Banks were closed down for 5 days. Politicians, economists met day and night and discussed the problem. Recalling those meetings at a later period, a minister said, "We forgot all those distinctions whether we were Republicans or Democrats". Whether they were Republicans or Democrats, 'profit' was their common interest. This means that all the capitalists forgot their party differences and got united during that period when their 'profits' were at stake! These were the decisions: The State should help private banks. The President should have complete control over the export of gold. Gold hoarders should be punished. Federal-Reserve banks should have the authority to print new currency. The government should act as a receiver of the failed banks. The State should evolve a system whereby banks function with the money available in the 'treasury' only. The State should introduce 'deposit insurance' scheme. The State should prohibit 'unethical practices' in the stock exchanges.

They made such 'Pious' decisions as these. The President used to talk over the Radio daily. He used to give assurances to the capitalist class thus, "Nothing to worry! We will set right everything!". After 5 days, he announced, "Now, nothing to worry. We have set everything right. You deposit your money in the banks". Initially, capitalists got confidence. New deposits came in a large number immediately after the reopening of the banks.

The 'Recovery of Industries Act' came into force in order to decide the quantity of production to be undertaken by the companies. The State decided to reduce supply from the agricultural sector and to raise prices.

In order to provide jobs to the workers, the State printed 'money', purchased commodities with that money and undertook such activities as repairs of dams and high-ways, welfare schemes and so on. Though there were many lakhs of unemployed people, the State opened labour camps and soup centres. In labour camps, they made workers work and gave them food. No salary was given. In soup centres, they 'threw' bread free. It was not enough even for one fourth of the people who stood in the queues. All these activities together became Roosevelt's 'new deal'. This served as a 'first aid' in those confused conditions. Some people called this new deal 'Christ deal'('New Deal is Christ Deal).

Big capitalists did not like the 'reforms' of Roosevelt. To them, Roosevelt appeared as a 'Pro-worker person'. They disliked him so-much that they referred to him as 'he', 'that man' instead of mentioning his name. When elections were approaching again, some shopkeepers used to keep sign boards thus, "Buy something from us. Otherwise we will cast our vote for 'that man'!"

Roosevelt came back in the next election as well. Workers had a hope that 'he would do something against this crisis'.

The situation that appeared to be recovering became grave again in 1937. Production in all the branches diminished compared to 1930. Even the 'Christ's scheme' failed to work. In January 1938, 2 lakhs' workers lost their jobs and they became unemployed afresh. Some people described this situation as 'Roosevelt recession'.

In February 1938, the American Congress introduced an Agricultural Bill. A strange aspect of that bill was that the Government would give subsidy to those who cultivated less number of acres and grew less quantity

of crops! This means the Government laid down a rule to cultivate less number of acres.

But, were the capitalist farmers so stupid? They used to cultivate the less number of acres. But, they used to follow techniques to grow large quantities of crops within the less number of acres. On the other hand, they were receiving subsidies.

What would the capitalist class, which tells lies to the workers ("workers should work hard! They have to raise production. The nation develops only if production increases") and oppresses them to work, do when production in reality grows? It destroys production if it cannot sell! Destroying production in order to prevent a fall in the profit rate and reducing the production would then amount to service to the country and patriotism! Such patriots would get subsidies and awards.

According to one estimate, there were 80 lakhs of unemployed people in America even in 1939.

The same story in all the countries! The only difference is in the incidents and numbers! That's all! (There are crores of unemployed people in capitalist countries even today).

Hitler's dictatorship had begun in Germany during this crisis period only (in 1933). This means, while American capitalist class followed one path, the German capitalist class followed another path. The essence of all the paths is the same. Competition for markets! Competition for 'profit'!

All these details, which we have given here to describe crisis, are very brief and incomplete. If we collect facts in greater detail, they would be more inhuman. All the incidents in every crisis period take place in the same manner—either on a large-scale or small-scale!

During every crisis period, the following things will necessarily occur one after the other: Piling up of commodities, reduction of production level, increasing restrictions on the trade among countries, deficit budgets, inflation, shortage of foreign exchange, devaluation of currency, moratorium on re-payment of loans to foreign countries, fall in the commodity-prices and share-prices, bankruptcy of banks, collapse of small-scale companies, centralisation of monopoly capital, intensification of sufferings of the working class, increasing luxuries of the capitalist class and so on.

Every crisis leads to the growth of two things: centralisation of capital and monopoly over capital.

Now, it is easy for us to grasp the reasons for a crisis. The root cause for a crisis is within 'capitalism'. Production under this system takes place neither in accordance with the real needs nor in accordance with the markets. It is simply based on the 'competition for the sake of profit'. Unless we understand this 'root cause', it is not possible to understand the crisis.

The capitalist economists refer to the whole thing as 'business cycles'. While trying to explain the crisis in a metaphysical manner ("If it is business, we find profit as well as loss. Will it always go on in the same manner?"), they reconcile themselves by treating crises as ups and downs in business.

Prior to the crisis of 1929, the capitalist economists were not at all concerned with the term 'over-production'. Though crises were appearing, they thought that "supply and demand will necessarily balance each other. There is no scope for over-production. If such a situation arises at any time, it happens only accidentally and it is not an eternal truth".

Similarly, prior to the crisis of 1929, they did not notice the problem called 'unemployment'.

While monopoly companies were closely intertwining with mutual agreements, the economists rejoiced, and began to support in the name of 'peace' the imperialist activities of the monopoly companies thus: "Hereafter everything goes in a planned manner. Henceforth, crisis conditions will not arise even occasionally. The entire world will flourish in peace (as if these fellows really want peace!)".

But, the crisis of 1929 had overthrown all these kinds of arguments.

The capitalist economists, who were frightened by being trapped in this crisis, had to 'repair' to some extent their arguments. Thereafter they began to say 'boom' and 'depression' follow one another. But, they do not have a correct answer to the question, 'why these 'boom and depression' come one after the other in the form of a 'cycle'". They do not have the answer because they do not recognise such aspects as 'exploitation of labour' and 'capitalist competition'. It is not agreeable for them to explain the fact that capitalist competition alone is responsible

for the piling up of commodities and crises. Hence, without mentioning any of those things, they simply say that "these ups and downs will not be there if capitalists properly follow economic principles" and they skip things without talking anything about crises.

'There will not be ups and downs if all follow economic principles'! This is what they say, isn't it?

'Competition' is the most important principle of capitalist economics. The economists themselves argue that 'competition' is obligatory and it is very profitable. But, 'proper observance' of this economic principle results in the boom and depression'!

The more the capitalists observe the principle of competition faithfully, the more they face crises.

The capitalist economists, on the whole, realised the fact that sale of commodities is turning into a 'very big problem', irrespective of whether or not they agree with the reasons for the crisis. As they are expected to suggest a solution for this problem, they 'teach' some 'tips'. That capitalists have to sell large number of commodities to the workers on the installment-basis, that the State should make workers pay 'unemployment insurance', that the State should control the banks so that they do not give more loans, the State should buy from the capitalists whenever produced commodities pile up without sales and so on! Let us examine the implications of these 'tips'.

**(1) Selling commodities on the installment-basis:**

Let us suppose that the working class buys commodities that are not only equivalent to their wages but also more number of commodities on the installment-basis. It is true that the demand for commodities rises in that month. But workers have to pay the prices of the commodities, which they purchased on credit, from out of their future wages for many more months. As a result, the demand for the commodities, to be bought regularly by means of the future wages, will diminish. The working class is able to consume its 'wages' only. It is not possible for the workers to buy commodities beyond the value of their wages. Thus, due to the purchase of more number of commodities than the usual number on the 'installment-basis', the future demand for the commodities simply shifts to the present time. The demand, on the whole, will not rise.

**(2) Unemployment Insurance:**

Workers have to pay some money every month to the insurance company during their working period. Later, when they lose their jobs, the insurance company will pay to the workers more money than what they originally paid. Then the workers can buy commodities with that money, even if they do not have jobs. This is the meaning of this 'tip'. But let us see its implication. Suppose the value of the insurance policy, which a worker called **A** pays, is 400. Every month, he has to pay 10 out of his wage. Which means, that worker will not buy commodities every month with that 10. That money goes towards the insurance policy. If the worker does not lose his job, he would get back the entire amount along with interest, after he completes the payment of 400. Let us say, he lost his job in the middle of his payment of the policy and he paid only 100 by then. Yet, he has to immediately get 400 from the insurance company. Let us say, he got that amount. Will the demand for the commodities rise due to this 400? It will not rise because, the money that **A** paid was 100. Let us first look at this 100. The worker did not buy commodities in the past with this 100, but gave it to the insurance company. The demand that ceased then would now arise. But, there will not be any fresh demand for the commodities with this 100. Let us now look at the balance amount of 300. Though **A** paid only 100, he got 400 from the company. Where did **A** get this 300 excess? This is part of the sum, which other workers paid. Even that sum was paid out of the 'wages' only. Which means, the demand for the commodities equivalent to that 300 diminished in the past. The same demand, which other workers decreased in the past, will now arise through **A**. Hence, even if **A** gets 400 from the insurance company, there will not be any rise in the demand for the commodities. Further, there is another problem here. It is possible for the insured worker, when he loses his job, to get more money than the premium that he paid only during the normal, no-crisis period. During the normal periods of time, all the 100 policy holders remain in jobs and pay premiums regularly to the insurance companies. If one or two of the insured workers become unemployed, it is possible for the insurance company to pay more money than the premiums paid. (Though, new demand for commodities does not arise). But, during the crisis period, only one or two people remain in jobs and the rest of them become unemployed. It is impossible for the insurance scheme to pay to the entire unemployed population an amount that is many more times greater than what they paid until then. During

the crisis period, even the employed people cannot pay premiums regularly. All the insurance policies will go to the winds during the crisis period just as bank deposits do. Whether those companies pay anything at a later point of time will depend on the intensity of the crisis. Therefore, the 'tip' of 'unemployment insurance scheme' will not be of any use to raise the demand for the commodities.

**(3) Regulating the Bank Credit:**

If Banks give more credit, money supply increases, inflation rate rises and thereby 'prices' rise. The demand for the commodities from the side of workers will decrease because 'wages' do not rise in proportion to the prices. Hence, control over Banks appears outwardly to be a good 'tip'. But Banks are also capitalist institutions. They have their own business. They have their own 'profit'. They follow the path that fetches them profit. First of all control is necessary over the productive companies and monopoly companies rather than the Banks! When there is over-production in the industrial and agricultural places of production, those products will not vanish even if the Banks do not give credit. Regulations and control do not have any impact on the Banks either. Therefore this 'tip' too will not have any impact.

**(4) The suggestion that the State should buy the entire over-production piled up with the capitalists and undertake 'unproductive' activities with that over-production:**

This means that the State should buy the entire 'over-production' from the capitalists in order to undertake the construction of roads, canals, hospitals, schools, projects etc. Owing to the projects, workers get jobs. Hence, the State should undertake 'public works'! Which means, 'crisis' is obligatory for undertaking public works by the State! It follows that the State does not fulfil those needs during the periods of normalcy! It also means that the State has to function as an institution that buys commodities whenever they are piled up with the capitalists lest they face any problem! The capitalist economists have beautifully and without any secrecy suggested 'how the State should function for the sake of capitalists'. But, with what money should the State buy the entire over-production? Taxes alone are the source of income for the State. It is possible for the State to buy only those portions of the commodities from which those taxes come. It is not possible to buy more number of commodities than this with the taxes. It is not possible for the State to

buy the 'over-production' in addition to the regular administrative activities that it conducts by means of 'taxes'. If the State has to buy commodities from the capitalists by means of taxes, its income would become low and its expenditure high. Economists suggest that the State should print money afresh and buy commodities with that money in order to compensate the deficit in the budget. Everybody knows that printing money afresh, irrespective of whether there is money-supply necessary to circulate the production in society, will lead to inflation. Yet the economists preach the same. This means that economists, who preach that capitalists have to 'beautifully' observe economic principles, observe them so 'beautifully' thus!

Thus, the 'tip', which the economists suggest for avoiding the problem of 'over-production' and for raising the demand for the commodities, are beautiful!

The 'rulers' do not know what the State should do and when it should do with regard to 'economic problems'. Whenever a problem arises, the rulers assign the task to the Bankers and economists. The bankers and economists too, however, do not know more than the rulers. They fly here and there urgently in airplanes and conduct seminars and meetings in those cities wherever they want to roam. As they are expected to arrive at some conclusion on the last day of their meetings, one would say 'let us decrease money-supply' while another says 'let us increase'. Similarly, on another issue, one would say "let us do it like this", while another says 'no, let us do it like that!" Finally they toss a rupee coin and decide one way if they get 'head' and decide another way if they get 'tail'. If the rupee coin stands on its edge, they have to decide in a third way instead of those two ways. Finally, the entire conclusion of the meeting of the economists depends on tossing of the rupee coin.

Thus, none of the 'tips' that the capitalists suggest to sell over-production would solve that problem in its real sense.

Even if there is any useful suggestion, it may temporarily decrease the severity of the problem but it will not remove the root cause. It simply pushes the problem only to a certain distance.

There is only one solution for the evils of 'capitalism'.

It is the abolition of capitalism itself! That is, abolition of exploitation!

But, any way, capitalist economists do not make that suggestion.

It is a meaningless imagination to think that capitalism continues to exist without crises! If it exists so, it will not be 'capitalism'. Yet, for the sake of example, let us say that they are able to prevent the problem of 'over-production' from raising its head. Let us suppose that they plan things like that. That is, there will not be crises and problems that crop up from them.

Is it enough for the workers if it happens like this? No, it is not.

Even if there are no 'crises', the problem of 'exploitation of labour' will remain as before. Therefore, 'crises' are not major problems for the workers.

'Exploitation of labour' itself is the major problem.

Solution is needed not for 'crises'! It is needed for 'exploitation'!

**The following are some of the quotations from Marx and Engels concerning 'crises'.**

**1)** **"...**crisis is precisely the phase of disturbance and interruption of the process of reproduction." (Theories of Surplus Value, vol.2, p.503)

**2)** "For a crisis (and therefore also for over-production)to be general, it suffices for it to affect the principal commercial goods." (Theories of Surplus-Value, Vol.2, p.505)

**3)** "...a crisis could only be explained as the result of a disproportion of production in various branches of the economy, and as a result of a disproportion between the consumption of the capitalists and their accumulation. But as matters stand, the replacement of the capital invested in production depends largely upon the consuming power of the non-producing classes; while the consuming power of the workers is limited partly by the laws of wages, partly by the fact that they are used only as long as they can by profitably employed by the capitalist class. The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit." (Capital-3, p.484)

**4)** "Crises are thus reasoned out of existence here by forgetting or denying the first elements of capitalist production: the existence of the

product as a commodity, the duplication of the commodity in commodity and money, the consequent separation which takes place in the exchange of commodities and finally the relation of money or commodities to wage-labour." (Theories of Surplus-Value, Vol.2, P.502)

**5)** "The crises are always but momentary and forcible solutions of the existing contradictions. They are violent eruptions which for a time restore the disturbed equilibrium." (Capital-3, p.249)

**6)** "The stagnation in the market, which is glutted with cotton cloth, hampers the reproduction process of the weaver. This disturbance first affects his workers. Thus they are now to a smaller extent, or not at all, consumers of his commodity-cotton cloth-and of other commodities which entered into their consumption. It is true, that they need cotton cloth, but they cannot buy it because they have not the means, and they have not the means because they cannot continue to produce and they cannot continue to produce because too much has been produced, too much cotton cloth is already on the market. Neither Ricardo's advice "to increase their production", nor his alternative "to produce something else" can help them. They now form a part of the temporary surplus population, of the surplus production of workers, in this case of cotton producers, because there is a surplus production of cotton fabrics on the market." (Theories of Surplus-Value, Vol.2, p.522)

7) "The commercial crises of the 19th century, especially the great crises of 1825 and 1836,...were no longer isolated economic phenomena,...these were instead the violent storms in the world-market wherein the conflict of all elements of the capitalist production process discharges itself, and whose origin and cure were sought in the most superficial and abstract sphere of this process, the sphere of money circulation." (Capital-3, p.547)

8) "If we observe the cycles in which modern industry moves-State of inactivity, mounting revival, prosperity, over-production, crisis, stagnation, State of inactivity, etc.,—we shall find that a low rate of interest generally corresponds to periods of prosperity or extra profit, a rise in interest separates prosperity and its reverse, and a maximum of interest up to a point of extreme usury corresponds to the periods of crisis. The summer of 1843 ushered in a period of the period of remarkable prosperity; the rate of interest, still 4½% in the spring of 1842, fell to 2% in the

spring and summer of 1843; in September it fell as low as 1½%; whereupon it rose to 8% and higher during the crisis of 1847." (Capital-3, p.360-61)

9) "...a change has taken place here since the last major general crisis. The acute form of the periodic process with its former ten-year cycle, appears to have given way to a more chronic, long drawn out, alternation between a relatively short and slight business improvement and a relatively long, indecisive depression-taking place in the various industrial countries at different times. But perhaps it is only a matter of a prolongation of the duration of the cycle. In the early years of world commerce, 1815-47, it can be shown that these cycles lasted about five years; from 1847 to 1867 the cycle is clearly tan years; is it possible that we are now in the preparatory stage of a new world crash of unparalleled vehemence? Many things seem to point in this direction. Since the last general crisis of 1867 many profound changes have taken place. The colossal expansion of the means of transportation and communication—ocean liners, railways, electrical telegraphy, the Suez Canal—has made a real world-market a fact. The former monopoly of England in industry has been challenged by a number of competing industrial countries; infinitely greater and varied fields have been opened in all parts of the world for the investment of surplus European capital., so that it is far more widely distributed and local over-speculation may be more easily overcome. By means of all this, most of the old breeding-grounds of crises and opportunities for their development have been eliminated or strongly reduced. At the same time, competition in the domestic market recedes before the cartels and trusts, while in the foreign market it is restricted by protective tariffs, with which all major industrial countries, England excepted, surround themselves. But these protective tariffs are nothing but preparations for the ultimate general industrial war, which shall decide who has supremacy on the world-market. Thus every factor, which works against a repetition of the old crises, carries within itself the germ of a far more powerful future crisis.—F. Engels.(Capital-3, p.489)

10) "Once the crisis has broken out, it becomes from then on only a question of means of payment. But since every one is dependent upon someone else for the receipt of these means of payment, and no one knows whether the next one will be able to meet his payments when due, a regular stampede ensues for those means of payment available on the

market, that is, for bank-notes. Everyone hoards as many of them as he can lay hand on, and thus the notes disappear from circulation on the very day when they are most needed. Samuel Gurney (C.D. \1848/57, No. 1116) estimates the amount of bank notes brought under lock and key in October 1847, at a time of such alarm, to have reached f4 to f5 million.-F.Engels). (Capital-3, p.527)

11) "In the crises of the world market, the contradictions and antagonisms of bourgeois production are strikingly revealed. Instead of investigating the nature of the conflicting elements which erupt in the catastrophe itself and insisting, in the face of their regular and periodic recurrence, that if production ere carried on according to the textbooks, crises would never occur. Thus the apologetics consist in the falsification of the simplest economic relations, and particularly in clinging to the concept of unity in the face of contradiction. (Theories of Surplus-Value, Vol.2, p.500)

12) "It is enough to mention the commercial crises that by their periodical return put on its trial, each time more threateningly, the existence of the entire bourgeois society. In these crises a great part not only of the existing products, but also of the previously created productive forces, are periodically destroyed. In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity—the epidemic of over-production. Society suddenly finds itself put back into a State of momentary barbarism; it appears as if a famine, a universal war of devastation had cut off the supply of every means of subsistence; industry and commerce seem to be destroyed; and why? Because there is too much commerce. The Productive forces at the disposal of society no longer tend to further the development of the conditions of bourgeois property; on the contrary, they have become too powerful for these conditions, by which they are fettered, and so soon as they overcome these fetters, they bring disorder into the whole of bourgeois society are too narrow to comprise the wealth created by them. And how does the bourgeoisie get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented.(Manifesto of the Communist Party, p.49-50)

(The news that we are going to read tells us about the crisis in a British Coal Company. The same old situation appears again in this brand new piece of information. The growth of 'productivity', danger of over-production, inability to sell the production, attempt to close the coal mines in order cut production, unemployment for 30 thousand workers of this company and so on may be observed here, This is the condition of a company in a given branch of production. We can imagine conditions of many companies in many branches. Look at the news!)

**Closure of 31 mines in Britain:**

London, October 17: A situation has arisen whereby about thirty thousand coal mine workers in Britain are going to become unemployed with a stroke of a pen. The decision of the British Coal Company to stop completely the coal extraction in nearly 31 mines has come as a rude shock to the British mine workers.

The British Coal Company has decided to remove 70 percent of its workers. The National committee of the coal workers, however, has decided to resist this decision. The committee described this decision as a politically motivated industrial vindictive action. Scar Gill, the leader of the mine workers described the decision of the company as savagery and workers in no country in this modern age are removed so horribly. The leader of the mine workers has criticised that the British Conservative Party government presently in power is closing the mines as a vindictive action against the coal mine workers of Britain who went on strike in 1985.

In 1985 1 lakh 70 thousand workers worked in 170 mines. Then they went on strike. The number of mine workers was 7 lakhs 18 thousand in 1947 when the coal mine industry was nationalised.

All these workers had always supported the Labour Party only. Scar Gill informed that 18 thermal power stations in Britain would be closed down and thousands of people would lose their jobs due to the closure of 31 mines now. If power is produced by means of gas instead of coal, the production cost will increase by 30 per cent. If nuclear power is used an additional burden of 350 percent will fall on the State. Seen from any angle, closure of mines is not a right thing, said Scar Gill.

The leader of the workers described the government's decision to close mines as an insane action. While the gas deposits would last only

for 30 years if Britain wants to produce power from gas, the coal deposits would last for 300 years. While this was so, the chairman of the British Coal Company threatened that he would not pay arrears etc. to the mine workers if any of them took industrial action against the company and hence they had to obediently leave the company.

Clark said that the closure of mines was a right act, that 4 mines would function while 27 mines were closed and these 4 mines would produce half of what all the mines taken together produced. "The productivity during the past six years in the mines has risen and hence we will be able to use the coal that comes from the remaining mines for the sake of power production", says Clark. The British government too is supporting the company. Clark is saying that the British coal company will not keep quiet if the coal that it produces remains unsold and it is obligatory to close down mines in order to reduce losses.

(Re-translation of a translated report that appeared in "Andhra Bhoomi", a Telugu daily, dt.18.10.92. The Original source is "The Statesman", an English daily from Calcutta).

## Questions :

1. Whose money should convert into commodity in order to convert the commodity of the sugar-capitalist into money?
2. The cost price of 1 article will be 2 rupees if some one produces 100 articles at a time. Its market price will be 4 rupees. Which means, profit rate is 100%. The cost price decreases by 15% if 300 articles are produced at a time. Then what will be the cost price of 1 article? What will be the profit rate if 1 article is sold at 4 rupees then?
3. What are the articles that a capitalist gives away freely to workers after using only for some time at his 'production place' or in the house?
4. In 1905, the country **A** had the productive power to produce 15 units per day in a given productive branch. By 1930, it grew to such a level that it was able to produce 120 units per day. Yet, let us say, that branch was producing only 12 units per day in 1930, despite high productivity. What is the period to which the level of productivity of that branch belonged?

5. The value of a commodity=**c**+**v**+**s**. Which of these parts will have demand and from whom?
6. A working-class woman purchased 4 kinds of commodities. In the case of every commodity, there was a false weight by 10%. What is the real value of the commodities, which that woman received in lieu of 20 rupees?
7. The bank has gone bankrupt. What does this mean?
8. The exchange rate: 10 rupees = 1 dollar. **A** has 110 rupees and **B** has 55 dollars. How many dollars will **A** have if we convert his rupees? How many rupees will **B** have? Let us say, the exchange rate has changed as: 11 rupees = 1 dollar. How many dollars will **A** now have? How many rupees will **B** now have? What has happened to **A** and **B** after a change in the exchange rate?
9. Do you know any bank in India that has gone bankrupt? What are those banks? When did they go bankrupt?
10. A broker has taken 100 coal mine workers from India to a foreign country. Is this migration of workers?
11. A country, which is in a crisis situation, tries to impose restrictions on imports, levy high taxes and undertake exports. What sort of consequences does this lead to?
12. The market price of a commodity is 12 rupees. This price has come down to 10 rupees as a result of crisis conditions and fall in the demand for the commodity. The capitalist of that commodity gave it to a consumer for 8 rupees only. How much profit did the consumer get?
13. The country **A** has devalued its money and the country **B** felt happy over this. Why? But, the countries **B** and **c** opposed **A** for its devaluation. Why?
14. Have you ever observed crisis conditions in your experience?
15. Collect information of the following kind!

    In 1861, during the period of American Civil War, cotton exports from America to the world market decreased. Cotton exports from India increased. Profits for the Indian cotton companies rose. The

share prices rose. A share whose price was 10 went upto 60 (6 times more). Brokers arranged credit for their clients from the banks and did share business. The exports from India decreased and share prices fell immediately after the end of American Civil War. Brokers sold away many shares by that time to the banks and saved themselves. Banks went bankrupt.

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Chapter 6

# Classes

"What are 'classes'? How do they form? In how many ways have they been changing? What is the nature of the relationships among the classes?"—We have already come across the entire background information necessary to understand these issues.

The summary of the issues that we have seen from part 1 of volume 1 to the previous chapter of this volume constitutes the concept of 'classes'. The summary is that human society had split a very long time ago into 'classes' due to 'exploitation of labour'.

The understanding of 'classes' depends on the understanding of the 'value'. If we understand how a given product attains value, then it would be very easy to understand classes and sections within the classes.

The sum total of living and dead labours spent on a product is its 'value'.

If we divide the mass of products into **c+v+s** (as 3 bags). it is not possible for anybody to consume anything from the portion of **c** (from the bag of 'means of production). This entire portion has to remain, in order that it functions as a 'means of production' again in the reproduction process. The fact that this portion of **c** is present in the 'mass of production' implies that the **c** spent on this mass has come back. Nothing extra comes through this portion.

The portion that remained in the 'mass of products' is 'living labour'. It is **v+s**. Everybody in society has to consume from this portion only. If

this entire portion (the entire production) goes to the people who perform 'living labour', then the question of 'classes' will not arise. But it would not be happen like that. The people who perform this whole labour get a very small portion and the whole of the remaining labour goes to those who do not perform any labour. What the labouring people receive is the 'value of labour power'. What they lose is their 'surplus value'.

This 'surplus value' goes to the 'non-labouring' people under such names as rent, interest and profit.

Hence, all human beings who 'perform labour' constitute one 'class'! All the human beings who 'do not perform labour' constitute another 'class'! Or, all those who receive the 'value of labour power' (wages) constitute one class! All those who receive 'surplus value' (rent, interest, and profit) constitute another class!

Exploitation of labour is nothing but exploitation of the labour of the former class by the latter class.

The latter class is able to carry on this exploitation of labour by means of its 'property right' over all the means of production including 'land'! The possession of 'means of production' as its 'private property' itself is the power of the latter class.

Of all the means of production, land is the main and natural means of production. It does not belong to any one. Whoever labours on it can possess it. It is the labouring class alone that prepares the land each time for the 'process of production'. Hence, it belongs to the labouring class only. All the other means of production also belong to the labouring class.

Let us leave out those means of production, which have been added from one 'annual mass of production' to another since antiquity till the beginning of 'exploitation of labour'. If we consider the period beginning from the exploitation of labour, 99% of the means of production available now in society belongs to the labouring class only. All these means of production have simply come from the 'surplus production', which the labouring class has been giving since generations. Thus, all the means of production, including land, in society belong to the labouring class only.

It follows that all the means of production, which the non-labouring class claims to be the property of its forefathers is in fact the property of the forefathers of the labouring class! All the past means of production

are part of the 'surplus production' of labourers of the past generations. Some portion from the new 'surplus production' adds every year to the previous means of production and thereby the quantity of means of production increases.

Hence, the 'property right' of the non-labouring class over the means of production is wholly false, deceitful and irrational. The 'property right' is a right that simply stands on the 'foundation of exploitation'.

Now, we can easily understand the features of 'classes'.

*The former class:* This is the class that performs labour. But, it does not get its labour entirely. It keeps losing a large part of its labour. This class, while living on its labour, also labour necessary for the other class to live. Which means, this class, while maintaining itself, also maintains the other class. This class, in fact, exists only for labouring for the other class! What this class gets from its 'labour' is simply the value of labour power, whether it is in the form of 'wage' or some other form.

*The latter class:* This is a class that 'does not perform labour'. This class makes the former class labour, leaves the smallest portion of that production to the former class and snatches all that remains under many names. This class leaves that small portion to the labouring class because that (other) class should be alive so that this class can live without doing labour and the other class will labour for it! It means, this latter class does not labour for its own sake. It does not maintain itself. While exploiting the former class, it does not labour and lives with comfort and luxury.

The relation between the 'labouring class' and the 'non-labouring class' is the 'relation of exploitation'.

This exploitation is not akin to stealing 'money' or 'articles' by one person from another.

This is nothing but 'exploitation of labour'.

The relations that exist between 'classes' evolve from the 'process of production!

The relations that exist in the 'process of production' are 'production relations'.

It means that since classes exist in 'society', the production relations that exist in society have the exploitative character!

While 'exploitation of labour' is 'harmful' to one class, it is 'beneficial' to another!

While it is a 'loss' to one class, it is a 'gain' for another!

While it is 'sorrowful' for one class, it is 'comfortable' to another class!

Thus, the 'interests of the classes' are mutually opposite.

The relation of 'classes' is a relation that causes 'contradiction' (opposition). This contradiction is antagonistic.

This 'antagonism' is not like the enmity that exists between individuals. It is more extensive and intensive in its nature. It is an enmity between 'classes'. It is an enmity that arises under the conditions of the exploitation of labour.

If we want to do away with antagonism, between classes, we have to do away with classes themselves. The basis on which classes arise should vanish.

It is never possible to eliminate antagonism between classes as long as 'classes' exist and as long as one class receives 'wages' and another class receives rent, interest and profit.

If 'classes' have to vanish, the class that lives without doing 'labour' has to enter into 'labour'! It has to do labour for its maintenance. This is the greatest justice! What will happen then is this: The class, which was until then losing a major part of its labour, would be able to receive its entire labour. Or, since it would not have the need to do so much labour, its labour time would decrease. Its exploitation would cease.

'Performance of labour' by the class, which lives on exploitation without itself doing labour, implies abolition of the deceitful 'property right' over 'means of production' that it was until then possessing! It amounts to the abolition of all such sources of exploitation as rent, interest and profit.

The two classes have to begin doing labour by keeping all the means of production including land as the 'common property' of the two classes!

If we gradually change the features connected with exploitation, that process of evolution would gradually establish identical living conditions for all the human beings in society. That society, where all people have the same living conditions (when all people perform labour). will be a 'classless society.

Well, then, of the two classes in society, which class has to eliminate exploitation? Is it the class that faces exploitation? Is it the class that lives on exploitation? The former class alone has to accomplish this task. That is its need. It is the class, which has to come out of exploitation.

The class that lives on exploitation will not at all be favourable to eliminate exploitation. Moreover, it obstructs all the attempts to eliminate exploitation and tries to retain exploitation intact.

Hence, the labouring class has the entire responsibility to liberate itself from exploitation.

## 1) Classes in history

We know what forms 'classes' have been assuming since the past, yet we need to briefly mention them here once again.

There were no 'classes' in the primitive times when there was no 'exploitation of labour'. But, even at that time, there was 'antagonism' among different 'tribes'! There were fights among ancient tribes for such 'natural resources' as trees with fruits, wild animals, water resources, protective places and so on. The 'victorious' tribes used to kill the defeated tribes or admit them into their tribe. In the later period of time, these two practices were given up and there began a practice of converting the members of the defeated tribe into 'slaves'.

'Slavery' becomes possible only when 'productive forces' develop in such a way that one human being is able to produce some thing 'extra' (surplus) over and above what he or she needs in order to live. Hence it took some time for slavery to begin in society. Thus, it (slavery) did not begin right from the stage when human beings lived a savage life.

Existence of different 'tribes' does not mean existence of different classes. Antagonistic conditions existed among different tribes even without the existence of classes. This antagonism is not something that was based on 'exploitation of labour'. To this antagonism, which

constitutes an 'internal condition', an 'external condition', namely 'growth of productive forces in such a way that they give 'surplus', got added and then 'slavery' that facilitates 'exploitation of labour' began.

As letting the members of an enemy tribe to live is a 'progressive' step compared to killing them, slave-society, in that sense, is progressive compared to the past society.

## (1) Classes in the Slave Society:

All the slaves constitute -a 'labouring' class.

All the slave-masters constitute -a 'non-labouring' class.

Land and the then existing other means of production were the private property of masters. Not only these means but 'labouring humans' also constituted the property of master. That is why this 'master' was not merely a 'landlord'. This master was a slave-master, who was the master of both land and slaves as well. It means that this master had the right over means of labour as well as labourers.

It is the class of slaves that perform all kinds of 'productive' and 'unproductive labour' necessary for the class of masters in all spheres of life.

[The productive-unproductive distinction does not apply to the slave society as much as it applies to the capitalist society, in which the entire production converts into commodities. We have seen these points in the chapter "productive labour and unproductive labour" in part 1 of volume 2. Yet in order to discuss things briefly, we are speaking of labours in the slave society too in terms of productive-unproductive distinction. We have to properly understand this].

Slaves alone do every thing: tilling the land and raising crops; weaving, sewing, carpentry by means of handicrafts, extraction of mines (mining); domestic chores in the households of the masters and so on.

Assuming that the class of 'master' too performed some labour or the other at some point of time, that class should have the right to receive the fruit of its labour only. But, this class expropriates a 'surplus' that is many times greater than the fruit of its labour. If it had not done any labour, then the entire thing that it expropriates belongs to the slaves completely.

Since all the means of production necessary to perform labour exist as the property of the masters, those means appear 'alien' to the labouring class.

Under 'slave society', trade as well as money-lending business were present.

The 'surplus production', which the 'class of slaves' gives splits into trade commission, interest, taxes, personal consumption by the masters and so on.

All the sections that consume the 'surplus production' of the class of slaves constitute the 'class of slave-masters'. It is the class of slaves alone that maintains the class of masters. But, outwardly, it appears to the two classes as if the masters alone are maintaining the slaves with their property.

"Among human beings-

Why are some masters and some servants?

Why are some rich and some poor?

Why are some independent and some dependent?

This is the set of questions which we raised in the beginning part 1 in the general introduction chapter 'Nature and Society". To this set of questions, we now get an answer.

The answer is: "It is because of exploitation of labour only!"

"Exploitation of labour" began in the slave-owning society only.

The difference such as "masters and servants' began with the 'exploitation of labour' only.

We can briefly discuss the emergence of classes as follows:

**Class of slave-masters:** These masters were owners of the 'land'. Moreover, they had the right to sell, buy or even kill slaves. These fellows constituted a non-labouring class. This class lived on exploitation. That is why, they were masters, property owners, the rich, the independent and the rulers!

**Class of slaves:** This class consisted of landless people. Moreover, they did not have rights over their bodies as well. They constituted a

labouring class; a class that was subjected to exploitation. They were propertyless people, servants, the dependent, the poor and the ruled!

These two classes were 'enemy' classes.

These two classes did not know at that stage that 'exploitation of labour' was taking place between them.

While the class of masters thought that 'land and slaves are our own, our property' the class of slaves too thought that "yes, masters are the owners of the land and slaves".

The two classes believed the same 'untruth'.

The class of slaves tried to be subservient to the class of masters and serve them. Yet, owing to the antagonistic conditions that exited between 'masterhood' and 'slavery', the daily lives of the two classes went on with conflicts.

[If there was a section of 'independent producers' within the slave society, such producers would neither be slaves nor masters. They would get the entire fruits of their labour. While talking about 'exploitation of labour', the existence of the antagonistic classes is the main issue. These classes would be the main classes there].

If the class of slave masters wanted to make the class of slaves to perform 'labour', it had to keep that class under its control. How was the class of masters able to do that? It was not possible simply by means of 'words'. To do this, the class of masters required a special 'machinery' called the 'State' or 'State machinery'.

This 'State machinery' began with all the branches that were necessary to keep the class of slaves under its control. Many branches such as government, police, military, courts and jails were parts of the 'State' or 'State machinery'. Of these branches, the government was the main branch and all other branches functioned more or less under its control. All the branches taken together constituted the 'State'.

The governments received income necessary to run all these branches, by means of 'taxes', which the class of slave-masters paid.

All these 'taxes' were part of the 'surplus production' (surplus value). which the class of slaves gave.

This means, all the State apparatuses that oppressed slaves functioned by means of products, which the slaves produced with their labour.

The King was the head of the 'State'. This King himself was a big slave-master. This slave-master had rights over hundreds and thousands of acres of land and hundreds and thousands of slaves.

This King, who was a slave-master, 'ruled' society with the support of other slave-masters.

'Ruling' meant protection of the interests of the class of slave-masters!

Slaves had to keep on performing 'labour'. They had to make ready 'masses of products'. Out of these, a major portion had to go to the class of masters. This entire programme had to go on smoothly like this. The property of the masters needed 'protection'. There should be no threat to the peace and security of the masters from the slaves.

If slaves showed disobedience against the master in their behaviour, if the slaves ran away from the control of the master, if the slaves revolted against the master and thus if the 'slaves' raised their heads in any manner, all that was a 'crime'! Injustice! Illegal! The courts should do justice to the masters by awarding lashes, imprisonment or death sentence!

All the 'laws' in that society had to be for the sake of the 'masters' only.

The class of masters made laws and principles of justice only for its own sake. The slaves did not have any role in making those laws.

The class of masters kept the class of slaves under its control mainly by means of 'coercion' (use of force) only.

All those who used whips and other weapons against the slaves and discharged the duty of oppressing the slaves were also 'slaves'.

While some sections in the class of slaves performed 'productive' labour for the class of masters, certain other sections performed unproductive labour as those of police and military.

If unproductive branches such as police and prisons were not there, the exploiting class could not have retained 'means of production' even

for a single day. It could not have continued its exploitation even for a single day.

But merely armed forces were not enough to accomplish the task of oppressing the class of slaves. Different kinds of other forces were also necessary. All the other spheres especially such cultural spheres as religion, education and art formed in accordance with the interests of the 'class of masters'. All these spheres taught the slaves thus: "It is the duty of the slaves to serve the masters. It is a pious act on the part of the slaves to surrender to the master with modesty and obedience. This itself is moral and virtuous". Only these kinds of teachings, moral stories and laws emerged for the sake of influencing the slaves. All the arts sang this theme. All these spheres make efforts to make the slaves surrender and be subservient from within the heart. The intellectuals and artists made this effort.

In a society based on the labour of slaves, all the branches of the State discharged their respective duties to maintain status quo.

'Extracting labour from the class of slaves' the 'economic basis' of the slave society. Consolidation of this basis and oppression of the labouring class by non-labouring class constituted the whole essence of the 'rule' by the 'State'.

All the issues related to the 'rule by the State' constituted 'politics'.

The aim of the rule by the State was to protect the 'economic foundation'!

Therefore, another form of Economics is 'politics'.

Politics and rule by the State will have the same character, which the economic foundation has.

A society that consists of 'classes' is a 'class society'.

Human beings who exist in class society are 'class human beings'!

That is, every human being belongs to some class or the other, either as a 'slave' or a 'master'!

The government in a class society is a 'class government'.

The government in the slave society is the 'government of the class of slave-masters!

In the slave society, the king is the representative of the class of slave masters. That is, representative of the 'exploiting class'.

Outwardly it appears as if the king is ruling all people (the two classes) in society. But, the entire 'rule' is over the class of slaves only.

The 'kingship' is the position, which a person inherits. Hence, a king is an autocrat. Yet he is not at all independent. He will be the prisoner of the interests of the class, whose representative he is. He cannot exercise the freedom that transcends those class interests.

The rule of the State whereby one class oppresses another class first began in the slave society where 'classes' emerged. This kind of State-rule was not in existence earlier than that. This became newly necessary for the class of masters.

The influence of this 'rule by the State' would be very deep on the class of slaves. Yet the class of slaves which experienced horrible violence and sorrow at the hands of the class of masters tried to escape from that 'suffering' in many ways.

When human beings split into antagonistic classes, the interests of those classes (those human beings) will also split.

Advantage of one class will be damage to other class!

Comfort of one class will be agony to another!

Profit for one class will be loss to another!

Freedom for one class will be slavery to another!

'Good' for one class will be 'bad' for another!

Thus, all the life conditions of the human beings will form with contradictory character.

The attempts of the class of masters to oppress slaves and the attempts of the class of slaves to escape from the oppression turned into a 'struggle' between those classes. The same is called 'class struggle'.

The struggle, which the class of slaves wages in order to come out of immediate sufferings and immediate problems, would, without its being aware of it, open the path that leads it to emancipate itself from the 'exploitation of labour'.

The beginning of classes, at some level, is also the beginning of class struggles.

[We cannot say that in every country, 'slave society' began after the period of 'primitive tribes/communities'. But in every country 'exploitation of labour' existed. One has to study the history of a given country and find out the details regarding the time during which it began and the classes between which it began].

## (2) Classes in the feudal society:

'Feudal society' is the result of struggles of the slaves.

Here, feudal lords and feudal tenant peasants are enemy classes.

This class of masters had property rights over all the means of production including land as before, but property rights over the labourers ceased. This is why, these masers were not slave-masters but feudal lords who were owners of the land. Here, the labouring people became feudal tenant peasants, who rented the land from the landlords and paid them rent. Though these peasants were not slaves, they were also 'servants' who rendered 'service' to the feudal lords. These tenant peasants, not only raised crops but also did such handicrafts as weaving and sewing with hand tools. This class alone did all kinds of labour.

**Class of feudal lords:** They were the owners of 'land' and masters of the feudal peasants. This class was a non-labouring class. It lives on exploitation. That is why they were the propertied, the rich, the independent and the rulers.

**Class of feudal tenant peasants:** This class consisted of 'landless' people. This was the labouring class and was subjected to exploitation. Hence, it consisted of the propertyless, the poor, the servants, the dependent and the ruled.

These classes too did not yet know that there existed 'exploitation of labour' between them.

While the class of masters thought "the entire land is our own. It is our property", the class of tenant peasants also thought "yes! The entire land is the property of owners. We are obliged to pay the rent to the owners since they rent their land to us for cultivation."

(The class of tenant peasants too might own some land. It was negligible. Even if there was a section of 'independent peasants' who owned land it was also negligible. In this society feudal lords and feudal tenant peasants were the main enemy classes).

In this society as well, the surplus production (surplus value) of the feudal peasants split into rent, commercial commission, interest, taxes etc.

Though the class of feudal lords lived on the labour of the class of feudal tenant peasants, it appeared outwardly as if peasants were living due to the land of the feudal lords.

The advantage that a feudal peasant had compared to the 'slave' was that the master did not have the 'right' to sell, buy or kill the peasant. Thus, the tenant peasant transformed from the condition of a slave to that of a 'serf' (half-slave).

The State machinery of the past times was handed over to the present society with certain modifications.

Here also, the head of the State was the 'King'. This king was the representative of the class of feudal lords.

Here also, the whole essence of the State-rule was nothing but oppression of the labouring class by the non-labouring class.

During the period of every king, many thousands of tenant peasants must have been forced death sentences in the name of many 'crimes'. The main crime was failure to pay rent due to bad harvest.

Since 'serfdom' (half-slavery) was a progressive step compared to 'slavery', in this sense, feudal society was progressive compared to the slave society.

In this society also, the two classes did not know about the 'exploitation of labour'. Yet, due to antagonistic conditions between the classes, 'class struggle' was present here also.

## (3) Classes in the capitalist society:

While the 'feudal (landlord) class' was still in existence as an exploiting class, the 'capitalist class' too emerged. (Both of these are sections within the 'exploiting class'- Both are the sections that consume

'surplus value'. Yet, in order to understand things easily, we are treating these sections as different classes since they emerged in different periods of time).

Capitalism first entered into 'industry' and later into 'agriculture'.

In the earlier societies, neither the 'slave' nor the 'tenant peasant' got the value of labour in the form of 'wage'.

But, under capitalism, even the 'labour power' transforms into a 'commodity'. The owner appoint the labouring person on the basis of 'wage'.

The specific name of the labourers who work on the basis of 'wage' is 'workers'.

Gradually hand-operated machines and heavy machinery replaced the 'hand tools' that served as instruments of labour in earlier societies.

The means of production turned into the properties of feudal and capitalist classes.

Land belonged to the feudal/landlord class!

Machinery, factory and such other means of production belonged to the capitalist class. All the productive, commercial and money-lending capitalists are part of this class.

The feudal tenant peasants class used to perform 'agricultural' labour on the one hand and 'handicrafts labour' on the other. Such a class, under capitalism, gradually got transformed into the working class functioning both in industry and agriculture under the capitalist class.

[In capitalist society, 'independent peasants' too are present. But the land under their possession is very small. Similarly, the means of production under the possession of 'independent handicrafts people' are also very small in number as a large part of the land will be under the possession of landlords and a large part of other means of production will be under the possession of the capitalists).

After deducting the portion of 'wages' from the 'value of labour', which the 'working class' gives, the 'surplus value' that remains will go to the landlord class and the capitalist class. In accordance with these changed conditions, changes have occurred in the distribution of 'surplus value'.

**'Rent' for 'land',**

**'Interest + profit' for capital'!**

These changes did not take place smoothly in history.

Struggles did take place between the landlord class and the capitalist class. In such struggles, the 'labouring class' (the class that was changing into the 'working class')opposed the landlord class and allied with the capitalist class. It was because, for the labouring class, it appeared to be a progressive step to function as 'workers' under the capitalists compared to the living as tenant peasants under landlords.

The landlord class was the enemy of the labouring class.

At that time, capitalist class was an enemy of the landlord class.

Hence, alliance of the labouring class with the capitalist class implies cooperating with a class, which is the enemy of its enemy.

All this did not happen with a conscious awareness about exploitation. It happened merely at a superficial and experience (empirical) level.

The landlord class and the capitalist class are sections of the same class.

What is the aim of the struggles between these sections? For sharing the 'surplus value'.

What is the basis for the 'surplus value'? The class society.

Hence, the struggles between the different sections within the same class are also consequences of the class society. That is, they are part of class struggle.

In that historical period, the sections within the class (landlords and capitalists) stood as enemy classes.

The capitalist class came into conflict with 'monarchy', a system of rule by feudal lords. The capitalist class, in order to get a share in the 'State power' opposed the 'rule by inheritance' and demanded system of elections and legislative bodies in the name of 'democracy'. With those slogans, the capitalist class appeared as a 'rebellious force' that could fight against the feudal class and as a 'progressive force' that could destroy the feudal autocratic society.

But, the progressive nature of the capitalist class disappeared very soon since it is also a class that lives on 'exploitation'. The capitalist class perceived a big threat in mobilising the working class into the 'struggles' against the feudal class. It realised that, instead of mobilising the working class into the struggles, it is harmless to compromise with the feudal class.

Thus, the monarchy of the feudal class transformed into 'capitalist democracy' so as to satisfy the capitalist class. That democracy enabled both the feudal class and the capitalist class to share 'State power'.

Gradually and naturally, the feudal class and the capitalist class came to a mutual friendship. With an understanding that one class should consume 'rent' and another class should consume 'interest + profit', these two classes made compromises, became one single class and stopped all struggles.

Thus, while the system of 'rent' is in existence, the feudal society transformed into the capitalist society.

When we speak of a 'capitalist', he may be:

an 'industrial' capitalist,

an 'agricultural' capitalist,

a 'commercial' capitalist or

a 'money-lending' capitalist.

Any fellow who invests 'capital' is a 'capitalist'!

**But, of these capitalists, the 'industrial' capitalist has another name 'bourgeois'. Another name of the capitalist society is 'bourgeois society'.**

A 'small' capitalist, who depends on some amount of 'self-labour' and some amount of 'exploitation', is a 'petty-bourgeois'. This section of 'small bourgeois' dreams of becoming a 'big bourgeois'. That dream is aimed at abandoning the labour as a whole like a big bourgeois without even doing the minimal labour that he was doing until then!

In the capitalist society, the sections of industrial, agricultural, commercial and money-lending capitalists along with the section of landlords constitute the 'capitalist class'!

Whenever we speak of the 'capitalist class' we are referring to all the sections that consume 'surplus value' (including the section of landlords). Therefore, we need not make a special mention of this section (of landlords). It is enough if we say 'the capitalist class'. It includes landlords who consume 'rent'.

In capitalist society, a division of an owner into simply a landlord or simply a capitalist will gradually disappear. This is how it happens: landlords too turn into capitalists either by means of 'self-cultivation' or by investing capital in other branches. Likewise, the capitalists too turn into landlords by procuring lands of their own. Therefore, that division will vanish between them.

Suppose a person has his 'own land' and 'own capital'. So far as 'rent' is concerned he stands as a landlord and so far as interest and profit are concerned he stands as a capitalist. He may singly consume all those three kinds of income. Or two persons may consume them. Or three persons may consume them. These details are unnecessary. The important point here is that 'surplus value' gets distributed into such main parts as 'rent, interest and profit'.

In any society, there will be only two classes as main enemy classes, namely, the class that performs labour and the class that exploits labour. This sort of centralisation will be much clearer in the capitalist class.

Therefore, the classes in the capitalist society are:

The capitalist class × The working class

(The Bourgeoisie × The Proletariat)

**The 'working class' does not simply mean 'industrial workers'. All the labourers, who work under their masters for wages, constitute the working class.** We are not concerned with such distinctions as 'industrial' workers, 'agricultural' workers, 'productive' workers, 'unproductive' workers, 'mental' workers, or 'manual' workers. All those who perform 'labour' and lose some portion of it constitute the 'working class' only.

However, 'productive workers' alone constitute the centre of the working class!

The productive workers who are engaged in the spheres of industry and agriculture produce the 'entire social mass of commodities'. If we divide the value of that 'mass' into **c+v+s**, **v+s** of that value represent the 'value of labour' of the productive workers. Of this, **v** goes to the workers and **s** goes to the capitalist class.

This portion of **s** is spent in three ways.

1) Some portion of **s** is spent to meet the family needs of the capitalist class. That is, as **c+v** of the family needs. The workers who do jobs and take this **v** as wages perform 'domestic service'. They are unproductive workers.

2) Some more portion of **s** will convert into new capital. That is as new **c+v**. The workers who do jobs and take this **v** as wages are 'productive labourers!

3) Yet some more portion of **s** is spent as **c+v** on such 'unproductive' spheres as police and army concerning society. The workers who do jobs and take this **v** as wages are 'unproductive labourers'. For example, the capitalist class does not get any products due to the 'labour' of the police department. It would not get any income. But, this department oppresses the working class and maintains 'law and order' as per the needs of the capitalist class. Which means, this department performs an unproductive labour for the existence of the capitalist class.

Similarly, government departments, courts, prisons etc., are 'unproductive' departments. The exploiting class can not sustain even for a single day without these departments. That is why the exploiting class spends some portion of the **s** on these unproductive branches.

Thus the entire production, necessary to run the unproductive branches, is part of the **s**, which the productive workers give.

The unproductive workers too perform 'labour'. (But we have already seen before that the labour of the unproductive workers does not come in the form of 'value'). Thus, the unproductive workers too are subjected to exploitation.

Therefore, productive workers and unproductive workers together constitute 'the working class'.

Under capitalism, as the productive forces develop, various kinds of heavy machinery and technologies that supercede each other come into being. This is nothing but change in the form of 'instruments of labour'. A machine, however large or however great technologically, it is workers who make it and operate it. These workers do not exist in the form of workers of past times where they used to work with hand tools. They possess 'high technical' knowledge. Just as a person who drives the cart with two oxen is a worker, the person who drives the 'train' is also a worker. However, in terms of engineering knowledge, the worker who drives the train will not be at the level of the worker who drives the cart with oxen. Yet both are workers. It is a meaningless argument that, under capitalism, workers disappear and technicians emerge as machines develop. Those technicians are also workers. The whole change that took place here is a change in 'technology'. The technical knowledge of the workers increases. That's all.

Under capitalism, independent producers, independent traders and lowest sections of the petty-bourgeoisie live in dire poverty. All these people cone under the labouring class. We have already seen all these things before.

Just as in the earlier societies, in the capitalist society also, the capitalist class receives productive and unproductive labours from the working class and lives comfortably and luxuriously without doing any labour.

The damage that 'exploitation of labour' causes to the labouring class is not simply an 'economic loss' of losing some part of the value of their labour. It is baser than that. It is a State of affairs wherein labouring class lives in the servitude under the class of masters!

It is not only slaves and tenant peasants of the past that lived in the servitude. The workers of the capitalist society too live in the same situation.

The working class that performs all kinds of labour does not have any role in making decisions concerning processes of production and circulation.

Only the class of masters, which does not do any labour makes all decisions.

Since all the means of production belong to the capitalist class, this class stands in the position of 'giving jobs' while the working class is in the position of 'begging the capitalist class for jobs'.

All that workers have to do is to do the job, which the master assigns. They have to simply obey the orders of the master.

Have to grow grain if asked to grow it!

Have to grow tobacco if asked to grow it!

Have to prepare liquor if asked to prepare it!

Have to produce guns if asked to produce them!

Have to produce whatever commodity the master asks for!

Have to do the assigned work at the prescribed time!

Have to do the work early in the morning if asked to do so!

Have to do the work at midday if asked to do so!

Have to do in the evening if asked to do so!

Have to do in the mid-night if asked to do so!

Moreover—

Have to do the work with whatever machine the master wants!

Have to follow the technique whatever the master tells!

Have to do the work in whatever manner the master wants!

Which means, the kinds of commodities, the types of instruments of labour, the timings of the work and everything would be as per the decision of the masters.

All that workers have to do is to keep quiet and simply do the assigned work.

It is not just this much. The working class has to use only those products, which the capitalist decides since it is the capitalist class that decides the kinds of products to be produced in every branch. This means, it is the capitalist class that decides what sorts of products the working class uses and how to live!

The working class has no opportunity and right to think about the labour that it performs and to decide the positive and negative aspects of the labour that it performs as follows: "No tobacco! No guns! No

nightshifts! No particular techniques. This product is unnecessary; that product is necessary. This method is bad; that method is good..."

All these decisions are made by the class of owners. The whole strength of that class is due to its power over the means of production. In fact, all those 'means of production' too belong to the labouring class! It is the power of the gun that keeps them (the means of production) in the hands of the class of owners.

It is the labouring class alone that produces guns and that gives protection to the class of owners by using them.

In this manner, the non-labouring class depends on the labouring class in all aspects. This means, the capitalist class is dependent on the working class for its maintenance and protection.

But the working class becomes subservient to the capitalist class and acts according to its orders since the power to give jobs to the working class is vested in the hands of the capitalist class.

Compared to the labouring classes of the past, the freedom that the present-day working class has is this: the freedom to change the 'master'. Workers can leave one master and go to another master. This is a freedom that enables the workers to 'change' the master, but it is not a freedom that enables them to dispense with a master. Even if the workers change a master, they are obliged to be subservient to another master. Under capitalism where 'unemployment' is a natural characteristic, workers cannot change their jobs frequently. That is, workers cannot really exercise their minimum freedom of changing their master either.

Among workers, even those who perform high-level mental labour are obliged to be subservient to the masters. They have to discharge the duty the master assigns. In this manner, the 'working class' too lives slavery like the labouring classes of the past! This is 'wage slavery'! Workers are 'wage slaves'!

The condition of classes does not change at all under capitalism.

In a 'class society', the entire male and female population, that is each and every individual belongs to some class and to some section among those classes.

Like male workers, all the women who work under a master are also workers.

Doctors, lawyers, scientists, artists, teachers and all such people are also labouring people. But, depending upon where they work, they become productive workers, unproductive workers, independent labourers or petty-bourgeois.

The term 'middle class' is a very vague term. The majority of the so-called 'middle class', generally, work in government offices, trade, banking and productive companies. This means, the majority of the middle-class are productive and unproductive labourers. The remaining number are petty-bourgeois. Take any individual in society, he or she will have a place in any one of the classes. Therefore, the term 'middle class', which does not specify the class of an individual, will not give a clear meaning.

Women who are confined to 'homes' belong to that class which has a particular source of 'income'.

Children belong to the class of parents.

The unemployed, beggars, prostitutes, prisoners, people in orphanages and such other sections of population mainly belong to the working class only.

'Goons' function as private 'security force' of the capitalists. Just as the police department plays a particular role to serve the capitalist class, goons also play a similar role at different levels and in different forms.

Now, coming to the 'State-rule', 'State-rule' in the capitalist society is nothing but oppression of the labouring class by the non-labouring class.

The entire talk of the capitalist class regarding 'democracy' is intended for its class representatives. Here 'people' means 'capitalist people' only. This 'democracy', in its real sense, is not concerned with the workers. Hence, this is 'capitalist democracy' (bourgeois democracy).

But, some aspects that may be useful to labourers also enter into 'laws' due to the class struggles that have been waged since the days of 'slave society'. But, those aspects are limited to 'laws' only. In reality,

the conditions are such that, more frequently, those aspects(benefits) will not reach the labourers.

For example 'Minimum Wages Act'! This tells that 'wages for the workers should not be lower than a particular level'. But, this Act is not implemented at many a place. Wherever it is implemented, it is not implemented in the case of manual labourers as they are implemented in the case of mental labourers.

All Acts are like this.

Non-implementation of Acts is advantageous to capitalists. It is a loss to the workers.

Which means, capitalist democracy is meant for capitalists only and not for the workers.

Outwardly, the capitalist laws appear as if they deliver justice equally to all. But here also, laws and justice are formulated in favour of the exploiting class.

There is no rule that in every capitalist country the government invariably exists as 'capitalist democracy' only.

There may be 'capitalist dictatorship' in a country.

There may be 'military rule' in another country.

There may be a king on the throne and democracy may be under the control of the king in a country.

In yet another country, there may be a 'President' in the place of a 'king' and the legislature may be under the control of the President.

Depending upon the difference between one system and another, there will be some differences in the respective constitutional laws. All those differences are subject to capitalism.

Thus, a capitalist government assumes different forms. The form of the government in a given country depends on the form of political power, which the majority members of the capitalist class of that country choose in their interests.

Whatever form an 'exploiting government' may assume, the essence of all forms is the same. The essence is to protect the interests of the exploiting class.

Even in the 'developed' capitalist countries, there are still thrones, kings, emperors and legislative bodies under their feet. It means that the capitalist class in those countries compromised with the feudal(landlord)class to such an extent and introduced such a system! It means that 'modern' 'progressive' forms, namely, democracy and legislature had blended with the feudal form of the government!

But, let us say that there are legislative assemblies without a king in a given capitalist country. This fact does not imply that the capitalist class in that country has an uncompromising fight with the feudal class.

The struggle between the feudal and capitalist classes had ended a long time ago. It is a past struggle related to the history of a particular period.

The presently existing struggles are mainly of two kinds.

1) Among different groups within the 'capitalist class';
2) Between the capitalist class and the working class.

The present day struggles simply come under any one of these two kinds.

We know that the capitalist class splits into many groups and those groups compete among themselves for 'huge profits'. This competition itself enters into the 'sphere of politics' as well.

Everything is a 'profit' to that group, which could secure the 'State power'.

The State power gives power over the 'income' (the government treasury) that the State gets. As the government runs many productive and unproductive branches, it gives contracts to many private companies for the products necessary for its branches(that is it buys the commodities of those companies). The government borrows 'loans' from many banks. (those banks get huge orders through the government for its money-lending business).

Whichever group within the capitalist class comes to 'State power', that group uses the power in many ways favourable to it and be able to earn greater profits than the other groups.

Hence, different groups in the 'capitalist class' fight for the 'State power' under various names of 'political parties'.

Every group tries to send its 'fellows' into the government in many ways.

To a large extent, any political representative, any person belonging to any party or any person belonging to any group wielding power will himself be a landlord or a capitalist or both. 99% of the representatives will possess lands, shares in companies, bank deposits and other properties on a large scale. The government, composed of such capitalist representatives, is a puppet of the capitalist property-holders, irrespective of the 'form' in which it(the government)exists. The Chief Ministers, the Prime Ministers, the Presidents etc., are merely 'symbolic statues'. The actual ruler is "capital'! Its interests alone are governmental laws!

**The group in power protects firstly the interests of its own group and secondly the interest of its 'class' and conducts 'administration' only with this objective.**

On the whole, the capitalist democracy too is subject to the 'foundation of exploitation'.

Now we can understand that the characteristics of classes in the capitalist society too are similar to those of past societies.

**The capitalist class:** This is a class that' does not perform labour'. It lives on exploitation. The members of this class are owners of the means of production. Hence they are masters of the workers. They are the propertied, the rich, the independent and the rulers.

**The working class:** This is a class that does not possess the means of production. It is a labouring class. It is subjected to exploitation. Hence, its members are propertyless, the poor, the servants, the dependents and the ruled.

Since wage slavery is progressive compared to the serfdom (half-slavery) of the 'feudal-tenant peasants, in this sense, the 'capitalist society' is progressive compared to 'the feudal society'.

So far, we have seen the characteristics of the 'classes' in the slave, the feudal and the capitalist societies.

What factor appeared to be the root-cause for the formation of classes? 'Doing labour' and 'not doing labour' alone appeared to be the root-cause.

If a person wants to live without doing any labour, there is no other way except exploiting the labour of other.

Exploitation overturns human relations.

| | |
|---|---|
| Non-labouring persons | — alone possess 'means of production. |
| Labouring persons | — do not possess 'them'. |
| Non-labouring persons | — alone are 'masters'. |
| Labouring persons | — are merely 'servants'. |
| Non-labouring persons | — alone are the 'rich people'. |
| Labouring persons | — are merely 'poor people'. |
| Non-labouring persons | — alone are 'independent' people. |
| Labouring persons | — are merely 'dependent' people. |
| Non-labouring persons | — alone are 'rulers'. |
| Labouring persons | — are merely 'ruled'. |
| Non-labouring persons | — alone are 'superior'. |
| Labouring persons | — are merely 'inferior'. |

Thus, the exploitative system gives all powers to the non-labouring class over the labouring class.

Even in the early days of 'capitalism', no class did know the fact that 'exploitation of labour' was taking place.

The questions on the concept of 'value' that arose about 2 thousand years ago, during the period of Aristotle have been in existence since then. After the beginning of capitalism, during the period of 'manufacture', there began to emerge 'economists' who thought about 'value' and 'profit'. But, those economists did not go beyond the level of 'landlords' and the 'capitalists' in understanding those issues.

"Land is my property. It is my own. I should get rent for my land," says the landlord.

"Capital is my property. It is my own. I should get interest. I should get profit for my capital", says the capitalist.

The economists accepted these utterances of the landlord and the capitalist as 'great truths'.

"Yes, land belongs to the landlord, isn't it? Why does the landlord give his land to the peasant if the peasant does not give him 'rent'? Why should he give the land?"

"Capital belongs to the capitalist, isn't it? Why does anybody invest 'capital' if he does not get 'interest' and 'profit'? Why should he invest?"

The same is the understanding of the economists!

**Land — fetches 'rent',**

**Credit — fetches 'interest',**

**Capital — fetches 'profit',**

All this has been happening, isn't it?

Aha! How naked truths are these: 'rent-interest-profit'? This is how economists were fascinated by these 'three gods'!

This kind of economist is observing certain facts in front of his eyes. He is seeing that land is the property of the landlord. He is also seeing that the peasant takes that land and gives 'rent' for that.

Similarly, he is also seeing that the capitalist invests capital and he gets 'interest' and 'profit' on the capital.

The economist is looking at all these things with his 'own eyes'. That is why he is accepting it as 'truth'.

Those who observe the sun rise in the east do not at all hesitate to say that 'sun rises in the east'.

Likewise, our economists too consider that their observations were also such truths!

They wrote down their observations as 'economic principles'

"Land ..... gets rent!

Capital ..... gets interest and profit!!"

This is how economists wrote down and named it 'Economics'!

Yes, it is also 'Economics'! But whose Economics is it? It is the Economics of those who are addicted to swallow rent, interest and profit! It is the Economics of those who do not perform any labour and who lead their life with comfort and luxury while productive and unproductive labourers render services at home and outside.

"Land ..... gets rent,

Capital ..... gets interest and profit"

If this amounts to 'Economic science', do we specially need 'economists'? Are landlords and capitalists not enough?

Is every landlord and is every capitalist who has been uttering these words not an economist?

Here, what has this intellectual called Economist said afresh?

Whatever 'science' it may be, all its principles are not openly observable. We have to grasp many principles by using 'logical thinking' as well. In certain matters concerning society, all that is observable may be true. But, in the case of certain other matters all that is observable might be cent percent untrue. Here 'truth' may be completely concealed. In such examples, in order to grasp the truth, we need to use, not only eyes, but also 'heads'; that is 'logic'!

Though rent, interest and profit outwardly appear as naked truths, they are in fact cent percent untruths only!

It is not 'land' that gives 'rent'; it is 'labour' only.

It is not 'capital' that gives 'interest and profit'; it is 'labour' only.

It is nothing but 'surplus labour' that gives all those things.

It follows that 'exploitation of labour' is the actual truth!

In order to get hold of this truth, merely observable 'common sense' is not enough.

We need 'scientific knowledge' based on 'logic'.

But our economists have never put their 'heads' to use, except carrying them unnecessarily. Getting down to 'work' has never been their way of life, isn't it?

They wrote whatever they were seeing in society and named it 'Economics'. This means, the economists acted simply as the 'writers' who copied down on paper the song sung by the landlords and capitalists! These people became 'capitalist economists' simply because they view things capitalistically without investigating things logically at all.

The capitalist economists do not know what 'value' is. They do not know what 'money' is; what 'means of production' are, what 'raw material' is and what 'wage' is. They do not know the way in which elements spent on the commodity add value. There is no term 'labour' in their science. As there is no 'labour' in their science, there is no distinction of dead labour and living labour at all.

Then, what these fellows know is whatever appears to their eyes!

Property right over 'land'!

Property right over 'capital'!

Right for rent over land!

Right for interest and profit over capital!

All that they know is this only!

Their entire 'Economics' is this only!

However, search for 'truth' does not stop until the 'truth' is found. It will proceed forward either in a haphazard manner or with wrong steps or ups and downs or in some way or the other.

What has been happening since the period of manufacture is this: All those in society interested in economic matters have been thinking in whatever way they perceived. They have been formulating as they perceived. They have been writing down in whatever way they liked. If one writes on 'money', another writes on 'price'. If one writes on 'interest', another writes on 'profit'. If one says, 'it is difficult to define money', another would offer an 'over-intelligent' definition that 'money is that which performs the functions that money performs"! If one says, 'supply and demand alone determine the price', another says, 'quantity of money alone determines the price'.

Let whoever talk on whatever issue in whatever manner, all of them arrive at a unanimous conclusion regarding 'profit'. (we are talking of 'profit' in terms of 'surplus value' which is the source of every thing). All fellows in one voice sing the song thus, "profit comes when some thing extra is added to the capital".

Among these haphazard investigations, some economists talk some 'good words'. If one says that "system of rent is unnecessary", another says that "system of interest is useless". If one dreams of "procuring land without rent", another imagines of "credit without interest".

At the time of emergence of the capitalist class, intellectuals who were wrathful of rent on the one hand and thinkers who 'draw their swords against profit' on the other hand raised their voices.

Whoever wrathful against whatever aspect and whoever set fire to whatever aspect, on the whole, everything becomes a temporary reaction. All fellows will get united and come back to square one.

"Land ..... gets rent!

'Capital' ..... gets interest and profit!!"

Thus they sing with one voice.

As capitalism has been continuing to operate, some intellectuals have been grasping, though in a half-baked manner, the problems that arise due to capitalism. Some such people sighed, "the past alone was good"!

Some others felt sorry thus, "while some human beings are swinging with riches and wealth, many people are suffering from poverty. This is a very unjustified State of affairs. There should be no such disparities between human beings." Good people as these (they were really good people)were very much hopeful of reforming society.

But, those who said, "society is not good" were unable to realise that "The past time was also bad".

Those who said that "there should not be rich-poor distinctions among humans" were unable to understand as to why these differences arose.

All this is due to their ignorance of 'value' and 'exploitation'.

The 'actual truth' did not reach even those who really wished that all human beings should live comfortably and peacefully.

But within that half-baked knowledge, 'logical' ideas that one has to understand everything in society 'rationally' and the 'socialist' ideas that all human beings should live as equals came into being and have been developing.

The 'materialist' ideas that 'there is no god' had begun a very long time ago, however incompletely.

The journey that takes human knowledge close to the actual truth—concerning 'nature' on the one hand and concerning 'society' on the other hand—had begun in all aspects and is continuing.

In such a stage, Ricardo, a capitalist economist, took a 'step forward' in 'Economics' which was in a stunted position.

"Profit comes from the 'commodity' only. There is no scope for it to come from elsewhere. The labourers who produce commodities should also produce profit for capital. Otherwise, why should the capitalist invest capital? How will production activity take place if no one invests capital? Hence, labourers alone should give profit", thought Ricardo.

"Capitalist should get profit. Who will invest capital if it does not get profit? How will the production activity take place?", all this is an old song. But, the new point here is this: Instead of saying "profit comes from somewhere", he said "profit is also part of commodity". This is the new point here.

If some one agrees that 'profit is also part of the commodity", 'how did it enter into the commodity?' is a later question. Ricardo is accepting that it (profit) comes from the labourers only. But this economist is saying thus, "Labourers are obliged to give profit".

He did not say all this with great clarity, details or value calculations. He said it very vaguely. However unclear he might be, Ricardo came to such an extent that he arrived at the front yard of the truth. He could observe the truth if he crossed that front yard.

What is that truth? "It is not the responsibility of the labourers to produce profit for the sake of profit. The entire labour that the labourers perform belongs to the labourers only. Capital has no right to take an iota of it. Taking profit from the labourers is nothing but 'exploitation of labour'. This is that truth!

Ricardo was unable to grasp this fact because of his 'capitalist outlook'. It is the view that 'who will invest capital if capital does not get profit'! The economist too thought in the same manner in which capital thinks if it thinks at all. Such an outlook cannot permit the economist to go beyond that.

If he goes beyond it, he will have to understand that the 'capitalist

himself is not necessary for the production activity; means of production and labourers are enough.

Moreover, he has to realise that capitalist too has to change into a labourer.

All this is unimaginable to the capitalist view.

Which capitalist intellectual could say, "capitalist too should perform labour?"

Ricardo stopped there itself. "That's all! Labourers have to produce profit also, Otherwise....", declaring this as truth, he stopped his investigation.

Though all this is favourable to the capitalist class, Ricardo's analysis fueled the wrath of the capitalist class because he did not talk like the earlier economists thus, "where does profit come? It comes only if we add it?"

**At this point of time Marx came on to the stage! He caught hold of the truth that had remained a great secret for hundreds and thousands of years! It is nothing but the truth of 'exploitation of labour!'**

Marx understood how 'exploitation of labour' constitutes the 'basis' for class-formation, class struggles and all social maladies. Thereafter he invaded that 'basis'.

"It is not the responsibility of the labourers to produce profit for capital. To impose this responsibility on the labourers and to extract profit from them amounts to the exploitation of the labour of the labourers. Only due to this, classes emerged. The non-labouring class has grabbed the means of production in the name of 'property right' and is living on exploitation. Every person has to labour for himself/herself. The labouring class has to fight with the exploiting class so that the exploiting class performs labour for itself. The labouring class has to liberate itself by means of class struggles only"—This is the essence of what Marx said.

Since 'capitalist Economics' is the book form of the interests and ignorance of the capitalist class, that Economics does not attempt to explain anything logically. As a 'critique' of the 'Economics', Marx wrote the book, under the title 'Capital', explaining the 'exploitation of labour'. In

his critique, he explained thoroughly all such issues as:'What is capital? How did it Start? Which class does it belong to? How does it produce more value by means of less value? Through what ways does it carry on its exploitation?

Marx began his book 'Capital' with a distinction between 'use-value' and 'exchange-value', explained each aspect logically, criticised all the false conceptions that have been in circulation in the name of 'Economics' and formulated correct conceptions.

It is not as difficult as the capitalist economists say to understand 'money'. Money is also one of the many commodities existing in society. It is the commodity that acts as the 'general equivalent'. It is the commodity that expresses 'value'. Hence it is the 'form of value'!

**To produce things, except means of production and living labour, no other element is necessary.**

When we exchange one commodity with another commodity, the latter commodity that comes in return to the former is the 'value' of the former commodity. Likewise, when we exchange a commodity with 'money', the money that comes in return to that commodity is the 'value' of that commodity.

'Value' means the total of dead (past) labour and living labour.

When we consider different kinds of labour spent on 'production' as 'total labour', it is 'abstract labour'. That is, 'value'.

The total of past labour and living labour is 'abstract labour'.

The past labour does not add more value that its own to the commodity. The labour that goes to the commodity through the means of production is 'dead labour'.

'Living labour' is the labour that the labourers give. In return for that labour, labourers take 'wage'.

'Wage' is not the value of the entire labour which labourers give. It is the 'value of labour power' only.

'Supply and demand' are not the root cause of the price-formation. The actual root cause is 'value'. (That is, the 'total labour' spent for producing the commodity). This value transforms into 'production price'

due to the law of 'general rate of profit'. The production price is the price, which the capitalist fixes by adding, some 'profit' to his 'capital'. On this centre called 'production price', the supply and demand of the commodity act. Then the 'production price' deviates this way or that way and becomes 'market price'. The price at which a commodity sells is the 'market price'. Only if a commodity has a price that forms due to 'labour', the supply and demand can either raise or lower that price to some extent; but supply and demand do not form the commodity price.

The sum total of market prices of the commodities of all the branches of production in society constitutes the value of the 'mass of commodities'. The 'value of the living labour' is that which remains after deducting the value of the dead labour of the means of production from the 'value of the mass'.

The 'surplus value' of the productive workers is that which remains after deducting the productive wages from the 'value of the living labour'. If this 'surplus value' were not there, there would not be any scope for rent, interest and profit.

The sum total of rents, interests, profits, taxes etc., in a given year in society constitutes the surplus value produced in the society.

It appears outwardly that there is an exchange between the wage that the master gives and the labour that the labourers give. But there is no exchange at all. 'Wage' is part of the labour of the labourer. The master gives some portion of the labourers labour as 'wage' and retains (extract) the rest. Here there is nothing that the master gives excepting extracting from the labourer!

'Land' does not have the right to receive rent and 'capital' does not have the right to receive interest and profit. They are the rights based on the foundation of exploitation.

Exploitation is not something that began only under capitalism. It began a long time ago under slavery and has been undergoing changes in the form. The exploiting class, together with itself, created its opposite class. That opposite class itself has been developing into a force that eliminates the exploiting class.

Marx had explained all these things rationally at the level of a science. His is the real economic science that could explain the actual truth.

The capitalist Economics, which has so far been in currency by propagating such exploitative principles as 'land gives rent and capital gives interest and profit', is totally a false Economics. It is Economics of untruths.

Though 'exploitation of labour' had begun a long time ago and still is continuing, conditions to understand it have developed only under capitalism, which is a 'commodity mode of production'.

In such conditions, grasping that truth became possible only to the person who had adequate study, logic power and an outlook to accept truth as truth. This had happened through Marx who was already a 'materialist', progressive person and an intellectual. This would not have happened through that person if he did not possess any one of those characteristics.

All the economic secrets had come out through Marx.

The capitalist Economics was over-turned by the fact that 'wage is not the value of labour' ('lower than the value of labour').

The secret that working class itself is maintaining the capitalist class came out.

When we speak of 'classes', we should not see them in terms of the 'rich-class' and the 'poor-class'.

Only those who exploit 'labour' become rich. Those who lose their labour to a large extent become poor.

It follows that 'doing and not doing labour' alone is the root cause of classes. Hence, whenever we speak of classes we have to speak in the sense of 'class that labours' and 'the class that exploits labour'. The terms 'rich' and 'poor' do not express the actual secret with adequate clarity. We have to grasp and explain the class in such terms that make 'exploitation' clear but not in such words that cannot make 'exploitation' clear.

## 2) Distribution relations are consequences of the 'production relations'

The relations connected with the 'process of production' are production relations.

The relations connected with the sharing of the production are 'distribution relations' or 'income relations'.

If we consider the period in which exploitation of labour had not yet begun, the 'production relations' there exist among the labouring people only. There, all people do labour. All people equally use that 'production'. Which means, the then existing distribution relations depend on the then existing production relations.

After the emergence of 'exploitation of labour', the production relations began between the labouring class and non-labouring class. Since then, the production relations have been in existence till today with the same 'character' (exploitative character). But they have not been with the same 'form'.

Exploitative relations of production exist:

Initially—between the slaves and the slave master;

Later—between the peasants and the landlord;

Still later—between the workers and the capitalist.

This means that there has been a change in the 'form' of the relations without a change in their 'character'. This form is something that has been changing in accordance with the 'historical conditions' and it is not an eternal form.

It follows that:

The production relations are — 'historical relations'.

The form of the production relation is — 'historical form'

Similarly, the forms of distribution relations are also historical forms and not eternal since:

In the 'slave society', the portion that the slaves receive form their labour would not be in the form of wage. That portion would be in the form of means of subsistence that it receives from the family of the master.

In the 'capitalist society', the portion that the workers receive from their labour would be in the form of 'wage'.

During the period of feudalism, the portion which the tenant peasant receives would not be in either of these two forms. It would be in the form of the 'balance that remains after paying the rent'.

In any period of time, the 'character' of the portion, which the labourers receive, would be the same. It is the 'value of labour power'. But, its 'form' has been changing.

If we consider the class of masters, the nature of the portion which this class receives is always the same. It is the 'surplus production'. Its 'form' too has been changing in accordance with the historical stages.

While the portion that the capitalist receives is in the form of 'profit', the portion that the slave-master receives would not be in that form. The same is the case with all other forms of income that the class of masters receive.

For the labouring class — 'value of labour power',

For the exploiting class — surplus value.

These two portions, which those respective classes receive, will be in the historical forms.

The distribution relations are the consequences of the production relations and the production relation are not the consequences of the distribution relations. It follows that in order to change the distribution relations we have to first change the production relations. It is not possible to change the distribution relations without changing the production relations.

Let us say, we have to do away with rent, interest and profit from the society. Or, let us say, we have to abandon the 'system of wage labour'.

If things should happen like that, we have to first begin with the changes in the 'production relations'. This means, we have to begin our attempts to make the non-labouring class work.

Let us suppose for a while, for the sake of example, that we have to change the distribution relations without changing the production relations. What should we do for that?

We have to raise the portion of 'wages' and decrease the portion of 'surplus value'.

The present rate of surplus value is, let us say, 100%. Suppose, we raise wages so much that we make the rate of surplus value to be 25% only.

The very first point: It is not possible to do so. In case we are able to do this, the capitalist class cannot drag on its exploitative life with a rate of surplus value of 25%. It has to organise the State apparatuses like police, prisons, unproductive offices etc., Something is needed for the consumption of its class. Some portion is required to convert into new capital. For all these requirements less surplus value is not enough. Therefore, it is an illusion if someone thinks that he could accomplish the change of reducing surplus value by raising wages.

The second point: Even if someone raises wages and reduces the portion of surplus value, the character of the means of production will not change at all. Even if someone gives away 90% of the 'value of labour' to the workers and leaves only 10% to the capitalist class, that is also exploitation. It amounts to performance of labour by the working class for the sake of the capitalist class.

Hence, what should actual happen is transformation of 'production relations'. Which means, we have to drag the non-labouring class into labour. Attempt at a transformation of the distribution relations without initiating such a change is neither possible nor really useful to the working class even if it is possible to some extent.

This does not mean that the labouring class need not wage struggles for a rise in wages. This simply means that we should not think that a rise in wages alone is not the sole aim of the working class.

All the struggles, which the workers wage to raise their wages, are not in fact struggles that raise wages. They are the struggles that simply retain the previous level of wages without falling further.

Workers demand a rise in wages simply because the value of their wages falls as a result of a fall in the value of money due to inflation and price-rise. In such a situation, though wages appear to have risen, it is not in fact a rise in wages. It is simply a change that occurs in order to retain the level of wages as before. Hence, the portion of wages will never rise in such a way that, it reduces the 'rate of surplus value'. Moreover, we have discussed many a time that the rate of surplus value goes on increasing (that is portion of wages goes on decreasing) compared to the past while the 'productivity' goes on increasing.

The fact that the working class every year reproduces the mass of products by performing labour as per the orders of the owner-class

indicates that the working class is reproducing not merely the 'mass of products' but the 'production relations' and 'distribution relations' as well. That is 'class relations' as well.

From a 'new mass of products':

Wages for the working class, surplus value for the exploiting class! The same distribution again! The same exploitative relations again!

Every production process reproduces products as well as production relations. This means, only such relations get reproduced in which one class does not labour for itself and another class labours for both the classes.

Once a class comes to know the secret that it is losing its labour, it amounts to the fact that every thing is decided, namely, what it has to do and what is its future programme.

It has to liberate itself from exploitation.

The class that is addicted to exploitation will not give it up.

Hence, 'struggle' between the two classes is inevitable.

'Struggle between classes' is not a new thing of the present time. It began in the past itself. Barring the history of ancient tribes, entire history is the history of 'class struggles'.

All the struggles, which the labouring class waged in the past, are, however, struggles, which that class wages without conscious awareness about 'exploitation of labour'. Those struggles have merely changed the form of exploitation of labour.

What had happened by means of those struggles is this:

Slaves changed into serfs, and

Serf changed into wage-slaves!

But, such changes constituted progress in those phases of history. But, this 'progress' is not enough for the class that is subjected to exploitation.

After knowing the truth about 'exploitation of labour', the task of the labouring class is not to convert its slavery into a 'new form'. It has to do away with slavery itself. It has to get rid of the 'masterhood'. It has to liberate itself completely from slavery.

Today, there is no slavery in any country. Also, there is no feudalism under which we find feudal tenant peasants everywhere. The present day exploitation is 'predominantly' in the capitalistic form. Feudalism too is admixed with this capitalism. Therefore, we have to eliminate 'capitalism' in order to eliminate exploitation.

When we speak of elimination of capitalism, it does not mean that we have to reintroduce the past systems and that those past systems are good. As the present day exploitation is in the form of capitalism, we speak of elimination of capitalism. This amounts to speaking of 'elimination of exploitation'.

While working class is the slave of the capitalist class, capitalist class is the slave of 'capitalist laws!' Thus, the capitalist class is its own slave! This class is in a 'mean' condition where it is dependent on others without doing labour for itself. It is not the capitalist or his family members who maintain a capitalist family; it is the workers of that capitalist.

Take any capitalist's family, it is not the parents who provide their children with food, clothing and education. It is workers who provide everything! The products necessary for the maintenance of those children do not constitute the labour of the parents but the labour of the workers.

This means, workers, while keeping their children in dire poverty, disease and lack of education, are maintaining the exploiting class and its offspring!

In such a society as this, the working class accomplishes two kinds of tasks by means of struggles that drag the capitalist class into 'labour'. On the one hand, it liberates itself. On the other hand, it also liberates the capitalist class from its 'lowly condition of living on exploitation'.

Similarly, on the one hand it gets rid of its 'servitude'.

On the other hand, it enables the capitalist class to get rid of the lowly situation wherein it exercises its 'masterhood' over other fellow human beings.

Thus, the struggle, which the labouring class wages for its liberation liberates both the classes.

It unites both the classes and makes them 'equal'.

Thus, the theory, which Marx propounded in order to change the exploitative society into an 'egalitarian' society, is called 'Marxism'. Marxism alone had clearly shown the scientific path of liberation for the labouring class.

The capitalist class was dumbfounded when Marx revealed the secret of the exploitation of labour.

It could grasp only then all the hitherto unintelligible and confusing issues in 'Economics'.

"Is this the truth", it was astonished.

But, that logic will not stop only there if it accepts the 'truth'. That class has to give up all its property rights, stand beside the workers and get down to labour!

This is something which the exploiting class cannot tolerate even in imagination.

Hence, total rejection of ' Marxism' has become its immediate task.

"Marxism is: meaningless, an utopia, impracticable, a violent path that disturbs the peace", thus refuting Marxism with various vulgar arguments and immersed themselves as before in its laws of 'rent, interest and profit' as if nothing has happened.

True, that the concept of 'value' is highly confusing when it was not intelligible; it was the most difficult and problematic concept. But, after its secret has been revealed, there is no other thing, which is simpler than this.

We can understand the recitation of the law of 'rent, interest, and profit' by past economists when they were not aware of the concept of 'value'. But the capitalist economists have not stopped to cling on to the law of 'rent, interest and profit' even after the comprehensive development of economic laws and even after the 'exploitation of labour' has been rationally proved. We can, however, understand this also. They will have no other means of living if they abandon that law. Hence false Economics and false life style under its shade are inevitable for that class.

The capitalist economists too use the word 'classes'. But, according to them, classes do not mean the mutually opposed sides in the context of relations of exploitation of labour. According to them classes simply mean sections that have different kinds of life conditions.

Even today, they narrate the story of 'savers' (who are economical) and 'idlers' (who are lazy). while talking about classes.

According to them, there used to be two types of people in the past: savers and idlers. All the idlers became the poor. All the savers have become propertied. The savers alone had earned lands and capital. The landlords and capitalists who earned properties thus have been 'justifiably' receiving rent, interest and profit.

Whereas workers receive 'wages' by doing work.

Each will have his/her own income! Each will have his/her life style!

This is the capitalist meaning of the classes!

In the capitalist view, classes are indispensable sections in society! They are eternal sections! There exists only unity and not conflict among the sections that are eternal.

'Workers' with 'wages'; capitalists with rents, interests and profits.

The two classes should behave with unity like brothers.

This is the class collaboration of the capitalist economists!

The economists too know that there are 'struggles' between classes. But, the capitalist economists opine that there need not be struggles and workers wage struggles against their masters out of ignorance only.

Suppose workers have asked this economist as follows:

"Let us leave out the idlers of the past times. None of the present day workers is an idler, isn't it? We are daily present in the work places and doing the work. We are tilling the fields; excavating mines; weaving clothes; making medicines; driving buses and trains; constructing houses, bridges and all kinds of buildings. We are cleaning roads, offices, drainage and all kinds of places. What is there that we don't do? We are doing all the things, which masters are assigning. But, we, who are doing so big a

job too remained as poor, why?" To this question the capitalist intellectuals have the following readymade answer.

"You spend away everything in consuming alcohol. You are not economical. You have more children and expenses are high"!

"There are people who do not drink and who do not have children and yet are poor. The capitalists also drink too much. They take very costly drinks. They always keep rolling in bars and clubs. They spend unimaginable amount of money daily. Yet they don't become poor. Moreover, they accumulate properties for each of their kids. Their fields, vacant lands, company shares, bank accounts, ornaments, cars and mansions keep growing. All this is possible for masters only but not workers, why?"

To this question, the economist goes back again unhesitatingly and begins to narrate again the same whole story, that how hardworking and economical the grandfathers of the masters, whereas the grandfathers of the workers were...alas...so lazy! How many times do we hear that story of lies, which portray real idlers as hard workers and real hard workers as idlers? Let us now leave it.

"We know the secret of your stories. Well, let us leave it and see about 'classes'. You say that classes should live in 'harmony' and not with 'conflict'; don't you? Then why did the classes in the earlier societies live in 'conflict' instead of in harmony? Why did conflicts occur between the slaves and slave-masters? Why did tenant peasants wage struggles against feudal lords? Let us leave all that.

Why did capitalists wage struggles against feudal lords? Why did sections of the same class not able to live in harmony?

Why did kings fight wars with each other?

Why did one capitalist country fight wars with another capitalist country?

Why is each country increasing the military forces and piling up weapons as its security?

What does this whole history tell us?

If it is 'harmony' that exists between classes, why should there be piles of weapons with the capitalists? The capitalist(elder) brother, while

standing before his working-class (younger) brother, keeps the security guards armed with knives and guns. Why does he do it? Security threat for an elder brother from his younger brother? "You talk repeatedly about 'peace'! Why do you have 'guns' with you?" If we ask all these things, the economist's answer will be like this:

"Capitalists and workers are equal. Workers are neither slaves nor serfs today. They are totally independent. They can work, if they want. They can stop doing work, if they don't want..."

"It is not our question"

"Today, there is no monarchy. It is 'democracy' everywhere. Today, workers too have the right to seek justice in the courts. They have the right to stand in elections and participate in the administration of the State(Government). Now, society has attained the stage of 'equality'. Therefore, workers have to work very hard, raise productivity, receive 'wages', live peacefully in harmony like brothers along with the capitalists...."

"Your evasive tricks are wonderful. You don't have any thing to give as straight answers. What can you do more than this? Well, let us discuss what you say. You are asking the workers to raise productivity; what is the use if it rises? Is it to destroy commodities when they pile up? Then, reducing production itself would be patriotism, isn't it? What is the use if we raise production?"

"The capitalists will take care of such things as 'when should production be raised when should it be lowered, whether to keep it or destroy—they know everything. It is their will and pleasure. They will pay your wages to the extent you do your work, don't they? Then, why do you have to come onto conflict with your masters? All of you should live peacefully and united like brothers..."

"How can the masters and servants be brothers?"

"If you know Economics, you would not wrangle like this. Who will invest 'capital' if there is no 'owner'? Who will provide you jobs and a means of living? Why don't you understand this much? You have to follow whatever owners in the workplace say. All of you are like brothers when you come out of the workplace, aren't you?"

"Enough we have heard a lot. Now, you hear what we say! We will tell you the theory that makes us brothers in the 'workplace' as well.

"You give up all your property rights over the land and companies! You abolish all the laws relating to property!"

"You too get down to work as we do"!

"You do labour for yourself"!

"Rents and interests will be abolished"

"No one need to invest 'capital'!

Hereafter the very term 'capital' will be abolished. Henceforth, its name will be 'means of production'.

"Means of production' belong to all! Let all of us together work with them! Then we will really become brothers! That is the real solution!"

"It is inevitable to use guns against people like you. There is no other way for us.

"Yes, we too say the same thing. There is only one path before us! The path of conflicts! Things will settle only by means of struggle, not by harmony. It is we, who make those guns that protect you! Also, it is we who use those guns for you. When the whole of our class opens its eyes, the guns that you depend on will turn towards you.

We have always conflict with you, we have always unity among ourselves.

"This alone is our theory! Understand?", say the workers.

To the capitalist intellect, this theory appears to be 'reasonless enmity' and 'aggressive nature'.

According to them, capitalism alone is the 'highest stage' of the human society! There is no need for any changes in the society any more.

True, isn't it? What is there that has to change, according to the 'masters'. There is nothing.

Workers keep doing productive and unproductive labours nicely.

Whereas the masters live with rest, luxury, excursion and killing the time.

All this is 'very nice', isn't it?

What is still there to change?

Therefore, the capitalist economists, even today, recite the theory of 'rents, interests and profit' as the most correct theory.

The capitalist schools are still teaching the same Economics.

Take any country in the world, it is still a 'class society'. It is a society that is based on 'exploitation of labour'.

There would not be any harm to society if the capitalist class suddenly disappears from society. It is because, that class is not a labouring class. If such a class disappears, happiness everywhere! Only means of production and labourers remain. They will happily do labour only for themselves.

'Class struggles', whether strong or weak, have been continuously going on in history since the emergence of 'classes', in such a way that even the capitalist economists too cannot deny.

That struggle has become inevitable even for the capitalist society.

Though this society is subjected very often to intense crises, the capitalist class will have no problem if there is no working-class struggle. It will somehow or the other, recover from the crises. What will it lose even if it destroys some products? It will be relieved of the headache of selling them. It will come out of the crises any time by means of that trick (of destroying the products). Let any length of time pass, it would not vanish itself, unless the working class overthrows it.

However, this is possible only by means of struggles which the working class wages with a clear-cut understanding that it should liberate itself from exploitation.

'Existence' of classes as classes (class in itself) is different, and 'Awareness' of classes about their existence as classes (class for itself) is different.

The first point is 'existence'

The second point is 'consciousness about existence'.

Classes have been in existence since the past times.

But, they existed for a very long period of time, without being aware that they constituted 'classes'!

A human being knows about his/her body structure simply at the level of 'experience' but does not know anything at the level of 'science'. He/ she will know about it only if he/she specially learns 'physiology'.

Similarly classes knew about their existence only at the level of experience and did not know at the level of science for a very long time.

"I am working under a master for wage", a labourer knows only to this extent. "The wage I get is much less than the value of my labour. My surplus value goes to the master. This is an exploitative relation. All people like me constitute labouring class. All the masters constitute no-labouring class. These classes have been in existence since the past. A State (Government) is the State of the exploitative class. The labouring class has to emancipate itself from the present condition by means of class struggle"—A labourer does not know all this, along these lines.

Similarly, if we view from the side of the master, he too does not know the science. He thinks thus, "I am giving away wages in return for the work of the labourers. I am getting profit from somewhere else".

Though classes are not consciously aware of their existence as classes, one class faces excessive labour, poverty, servitude and agony while another class enjoys excessive leisure, comfort, luxury, and arrogance of being a master and happiness.

Classes experience these hardships and comforts without being aware of them. Conflicts and struggles go on between the classes. These struggles also keep changing the conditions of the classes. All this happens while classes are unaware of their existence as classes.

While classes are in this situation, the theory of 'exploitation of labour' which Marx revealed, has not reached the 'working class' as much as it reached the capitalist class.

The capitalist class has nicely understood this theory. Since then, the entire class has been clearly aware that it is living on exploitation. But, it would not admit this fact outwardly.

This theory has not reached until today the majority of the working class population. Which means, the 'class knowledge' of the working

class is still at the level of 'experience' but not at the level of 'science. This means, the working class does not have correct 'class awareness' as yet. It does not have 'class consciousness'. That is why its struggles are going on as consciousness-less struggles that are devoid of theoretical knowledge and devoid of clarity about its objective. Hence, the capitalist class and its Economics are still intact and in currency.

**The working class should clearly understand Marxism that has explained the basis for its servitude and the path of liberation! It has to fight against exploitation of labour with that theoretical knowledge!**

It is the aim, objective and the ideal of the working class to struggle for a 'new society' in which there would not be exploitation of labour and classes.

To carry on such a struggle, the working class has to have a 'political party'. The same is the 'communist party'.

'Communism' is a way of life whereby all human beings will have conditions of 'equality'. The working class alone has to evolve such a way of life. The communist party is the organisation, which the working class forms for its liberation.

Marx and Engels elaborated the path of working class struggle in the 'Manifesto of the communist Party'. They concluded the manifesto with these words.

> The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only be the forcible over-throw of all existing social conditions. Let the ruling classes tremble at a Communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries, unite!

**[The following are the quotations from Marx and Engels concerning such issues as Classes, State and Proletarian class struggle! The last one, however, is taken from the book of a present day American writer.]**

1. **"...**society has hitherto always developed within the framework of a contradiction-in antiquity the contradiction between free men and slaves, in the Middle Ages that between nobility and serfs, in modern

times that between the bourgeoisie and the proletariat."(The German Ideology, p.457)

2. "...every class, once it begins the struggle against the class above it, is involved in the struggle against the class below it. Hence the princes are struggling against the monarchy, the bureaucrats against the nobility, and the bourgeois against them all, while the proletariat is already beginning to struggle against the bourgeoisie.(Marx,1843-4:Collected works-3, p.185-86)

3. "Capital-Profit (profit of enterprise plus interest). land-ground rent, labour—wages, this is the trinity formula which comprises all the secrets of the social production process."(Capital-3, p.814)

4. "Bourgeois society is the most developed and many-faceted historical organisation. The categories which express its relations, an understanding of its structure, therefore, provide, at the same time, an insight into the structure and the relations of production of all previous forms of society the ruins and components of which were used in the creation of bourgeois society. One can understand tribute, tithe, etc., if one knows rent. But they must not be treated as identical."(Collected works, Vol.28, p.42)

5. " I examine the system of bourgeois economy in the following order: *Capital, landed property, wage-labour; the State, foreign trade, world market.* The economic conditions of existence of the three great classes into which modern bourgeois society is divided are analysed under the first three headings;"(Contribution to the Critique of Political Economy, p.19, Moscow 1970)

6. "This competition has the further consequence that a large part of landed property falls into the hands of the capitalists and that capitalists thus become simultaneously landowners, just as the smaller landowners are on the whole already nothing more than capitalists. Similarly, a section of large landowners become at the same time industrialists. The final consequence is thus the abolition of the distinction between capitalist and landowner, so that there remain altogether only two classes of the population— the working class and the class of capitalists.(Economic & Philosophical manuscripts of 1844, p.56, Moscow 1974)

7. "Modern industry has converted the little workshop of the patriarchal master into the great factory of the industrial capitalist. Masses

of labourers, crowded into the factory, are organised like soldiers. As privates in the industrial army they are placed under the command of a perfect hierarchy of officers and sergeants. Not only are they slaves of the bourgeois class, and of the bourgeois State; they are daily and hourly enslaved by the machine, by the over-looker, and, above all, by the individual bourgeois manufacturer himself. The more openly this despotism proclaims gain to be its end and aim, the more petty, the more hateful and the more embittering it is."(Manifesto of the Communist Party, p.52, Moscow 1973)

8. "It has converted the physician, the lawyer, the priest, the poet, the man of science, into its paid wage-labourers." (Manifesto...p.45)

9. "Population is an abstraction if, for instance, one disregards the classes of which it is composed. These classes in turn remain an empty phrase if one does not know the elements on which they are based, e.g. wage labor, capital, etc. They presuppose exchange, division of labour, prices etc. For example, capital is nothing without wage labor, without value, money, price, etc.-Marx(Collected works,Vol.28, p.37)

10. "The centralized State power, with its ubiquitous organs of standing army, police, bureaucracy, clergy, and judicature—organs wrought after the plan of a systematic and hierarchic division of labour—originates from the days of absolute monarchy."—Marx (Civil war in France, p.50)

11. "The State is nothing but the organized collective power of the possessing classes, the landowners and the capitalists, as against the exploited classes, the peasants and the workers."-Engels (The Housing Question, p.67)

12. "The executive of the modern State is but a committee for managing the common affairs of the whole bourgeois."(Manifesto of the communist party, p.44)

13. "This public power exists in every State; it consists not merely of armed men but also of material adjuncts, prisons and institutions of coercion of all kinds, of which gentile society knew nothing. It may be very insignificant, almost infinitesimal. It(the public power) grows stronger, however, in proportion as class antagonisms within the State become more acute, and as adjacent States become larger and more populous. In order to maintain this public power, contributions from the

citizens become necessary—taxes. As civilization advances, these taxes become inadequate; the State makes drafts on the future, contracts loans, public loans.—Engels (Origin of the family, private property & State, p.167-68)

14. "The bourgeois remains revolutionary until he begins to rule" (Collected Works, vol.6, p.168, Moscow 1976)

15. The lowest sediment of the relative surplus-population finally dwells in the sphere of pauperism. Exclusive of vagabonds, criminals, prostitutes, in a word, the "dangerous" Classes, this layer of society consists of three categories. First, those able to work. One need only glance superficially at the statistics of English pauperism to find that the quantity of paupers increases with every crisis, and diminishes with every revival of trade. Second, orphans and pauper children. These are candidates for the industrial reserve army, and are, in times of great prosperity, as 1860,e.g., speedily and in large numbers enrolled in the active army of labourers. Third, the demoralised and ragged, and those unable to work, chiefly people who succumb to their incapacity for adaptation, due to the division of labour; people who have passed the normal age of the labourer; the victims of industry, whose number increases with the increase of dangerous machinery, of mines, chemical works, &c., the mutilated, the sickly, the widows, &c. Pauperism is the hospital of the active labour-army and the dead weight of the industrial reserve army. Its production is included in that of the relative surplus-population, its necessity in theirs; along with the surplus-population, pauperism forms a condition of capitalist production, and of the capitalist wealth.-Marx (Capital, vol.1, pp.602-3)

16. "...this vagabondage is strictly connected with the disintegration of the feudal system. As early as the thirteenth century we find isolated epochs of this kind, but only at the end of the fifteenth and beginning of the sixteenth does this vagabondage make a general and permanent appearance. These vagabonds, who were so numerous that, for instance, Henry VIII of England had 72,000 of them hanged, were only prevailed upon to work with the greatest difficulty and through the most extreme necessity, and then only after long resistance. The rapid rise of manufactures, particularly in England, absorbed them gradually.—" (The German Ideology, p.77)

[Of course, the 'modern large-scale industry had, in subsequent period, again converted large number of working masses into new paupers and new vagabonds!]

17. "It was the peasant who supported the other strata of society: princes, officials, nobles, clergymen, patricians and burghers. No matter whose subject the peasant was—a prince's, an imperial barn's, a bishop's, a monastery's or a town's—he was treated by all as a thing, a beast of burden, and worse. If he was a serf, he was entirely at the mercy of his master. If he was a bondsman, the legal levies stipulated in the agreement were sufficient to crush him; and yet they were daily increased. He had to work on his lord's estate most of his time; out of what he earned in his few free hours he had to pay tithes, dues, ground rents, road (war) imposts, and local and imperial taxes. He could neither marry, nor die, without paying the lord. Besides his statute labour he had to gather litter, pick strawberries and bilberries, collect snail-shells, drive the game in the hunt, and chop wood, etc., for his lord. The right to fish and hunt belonged to the master; the peasant had to stand quietly by and watch his crop destroyed by wild game. The common pastures and woods of the peasants were almost everywhere forcibly appropriated by the lord. The lord reigned as he pleased over the peasant's own person, over his wife and daughters, just as he reigned over his property. He had the right of first night. He threw the peasant into the tower whenever he saw fit, and the rack awaited the peasant, or had him beheaded, whenever he pleased. There was no instructive chapter of the Carolina regarding 'ear clipping', 'nose cutting', 'eye gouging', 'chopping of fingers and hands', 'beheading', 'breaking on the wheel', 'burning', 'hot irons', 'quartering', etc., that the gracious lord and patron would not apply at will."-Engels (The Peasant War in Germany, p.39, Moscow1977)

18. "If everybody has to work, if the contradiction between those who have to work too much and those who are idlers disappears—and this would in any case be the result of capital ceasing to exist, of the product ceasing to provide a title to alien surplus labour—and if, in addition, the development of the productive forces brought about by capitalism is taken into account, society will produce the necessary abundance in six hours,[producing] more than it does now in twelve, and, moreover, all will have six hours of "disposable time", that is, real wealth; time which will not be absorbed in direct productive labour, but

will be available for enjoyment, for leisure, thus giving scope for free activity and development. Time is scope for the development of man's faculties, etc. (Theories of Surplus-Value 3, p.256)

19. "As to myself, no credit is due to me for discovering either the existence of classes in modern society or the struggle between them. Long before me bourgeois historians had described the historical development of this class struggle and bourgeois economists the economic anatomy of the classes. What I did that was new was to demonstrate: 1)that the existence of classes is merely linked to particular historical phases in the development of production, 2) that class struggle necessarily leads to the dictatorship of the proletariat, 3)that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society." (Selected Correspondence, p.64, Moscow 1975)

20. "...it finds posts for its surplus population and makes up in the form of State salaries for what it cannot pocket in the form of profit, interest, rents and honorariums.(The Eighteenth Brumaire of Louis Bonaparte, p.51)

21. "Taxes are the source of life for the bureaucracy, the army, the priests and the court, in short, for the whole apparatus of the executive power." (The Eighteenth Brumaire of Louis Bonaparte, p.110)

22. "The great mass of so-called "higher grade" workers—such as State officials, military people, artists, doctors, priests, judges, lawyers, etc.—some of whom are not only not productive but in essence destructive, but who know how to appropriate to themselves a very great part of the "material" wealth partly through the sale of their "immaterial" commodities and partly by forcible imposing the latter on other people—found it not at all pleasant to be relegated *economically* to the same class as clowns and menial servants and to appear merely as people partaking in the consumption, parasites on the actual producers (or rather agents of production)." (Theories of Surplus-Value-1, p.174-75)

23. "The more a ruling class is able to assimilate the foremost minds of a ruled class, the more stable and dangerous becomes its rule." (Capital-3, p.601)

24. "The weapons with which the bourgeoisie felled feudalism to the ground are now turned against the bourgeoisie itself. But not only has

the bourgeoisie forged the weapons that bring death to itself; it has also called into existence the men who are to wield those weapons—the modern working class—the proletarians."(Manifesto of the Communist Party, p.50-51)

25. "The growing competition among the bourgeois, and the resulting commercial crises, make the wages of the workers ever more fluctuating. The unceasing improvement of machinery, ever more rapidly developing, makes their livelihood more and more precarious; the collisions between individual workmen and individual bourgeois take more and more the character of collisions between two classes. Thereupon the workers begin to form combinations (Trade's Unions)against the bourgeois; they club together in order to keep up the rate of wages; they found permanent associations in order to make provision beforehand for these occasional revolts. Here and there the contest breaks out into riots. —Now and then the workers are victorious, but only for a time. The real fruit of their battles lies, not in the immediate result, but in the ever-expanding union of the workers. ...But every class struggle is a political struggle. ...This organisation of the proletarians into a class, and consequently into a political party, is continually being upset again by the competition between the workers themselves. But it ever rises up again, stronger, firmer, mightier." (Manifesto of the Communist Party, p.54-56)

26. "...it(the proletariat)strives to strip off from production the capitalist character that the bourgeoisie seeks to perpetuate."—Marx (Critique of the Gotha Programme, p.19)

27. "They have nothing of their own to secure and to fortify; their mission is to destroy all previous securities for and, insurance of, individual property. ... The proletariat, the lowest stratum of our present society, cannot stir, cannot raise itself up, without the whole superincumbent strata of official society being sprung into the air. ...What the bourgeoisie, therefore, produces, above all, is its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable.(Manifesto of the Communist Party, p.58-60)

28. [The greatest capitalist country of the present day world is America. Michael Parenti, an American writer gave many details concerning America. I am quoting some of the things from his book

'Democracy for the Few' (New York: St. Martin's Press, Inc., 1988. pp.10-14). We can understand these things easily since we have already read the entire 'Capital'].

"Contrary to widely propagated myth, this country's wealth does not belong to a broad middle class. The top 10 percent of American households own over 86 percent of the stocks, bonds, savings, property, and other financial assets. The top 0.5 percent owns more than 45 percent of the privately held wealth, while 90 percent of the American people have little or no net financial assets. The single greatest source of individual wealth is inheritance. (In other words, if you are nit rich, it is principally because you lacked the foresight and initiative to pick the right parents at birth).

The recent trend has been toward still greater economic inequality. Since 1974, the share of the national income that goes to wages and salaries (adjusted for inflation) has declined by over 10 percent, while the share derived from interest, rents, and dividends has almost doubled, having become the fastest growing kind of personal income. In 1983, a year the U.S. economy actually shrank, the combined net worth of the richest 400 Americans jumped 28 percent, from $92 billion to $118 billion. No fewer than 116 of these super-rich persons enjoyed at least a 50 percent increase in their fortunes.

Less than 1 percent of all corporations control two-thirds of the corporate assets of the entire economy. Forty-nine of the biggest banks

Hold a controlling interest in the 500 largest corporations. Thus, ITT, Sears, American Express, IBM, Bank of America, and Citicorp can all claim J.P. Morgan, Inc., as one of their top investors. J.P. Morgan is the nation's largest stockholder, with more than $15 billion invested in the stock market. In the United States, as in most other industrial countries, finance capital dominates other forms of capital formation, including manufacturing.

The trend is toward greater concentrations of corporate wealth as giant companies are bought up by super giants. Mobile Oil purchased Montgomery Ward; Philip Morris inhaled Miller Brewing, a Coca-Cola swallowed Paramount Pictures. In 1984, Texaco engulfed Getty Oil for $10.1 billion, the largest corporate merger to date. Nine of the ten largest corporate mergers in history occurred during the 1981-85 period. Some

$100 billion of corporate cash resources have been spent on mergers at a great profit to company executives and big stockholders. Such takeovers absorb money that could have been spent on new technologies and new jobs. Rather than create new capital assets, mergers merely rearrange old ones for quick paper profits. Instead of enlarging the economic pie, corporate and financial elites cut bigger slices for themselves. This is why, despite repeated recessions and sluggish economic growth, profits doubled in the early 1980s.

Americans are taught that the economy consists of a wide array of independent producers. We refer to "farmers" as an interest apart from, businesspeople, at a time when the Bank of America has a multimillion-dollar stake in California farmlands, and Cal Pak and Safeway operate at every level from the field to the supermarket. The larger agribusiness firms now control over half of all the farmland in the United States. Just one percent of all food corporations control 80 percent of all the industry's assets and close to 90 percent of the profits, while totally monopolizing food advertising on television. Just three companies control 60 to 70 percent of all the country's dairy products. Six multinational firms handle 90 percent of all the grain shipped in the world market.

This centralized food industry represents an American success story-for the big companies. Independent family farms are going deeper into debt or completely out of business. By 1980, the total farm debt was 4160 billion, eight times net farm income; by 1985, the farm debt climbed to over $235 billion. With the growth of corporate agribusiness, regional self-sufficiency in food has virtually vanished. The Northeast, for instance, imports more than 70 percent of its food from other regions. For every $2 spent to grow food in the united States, another $1 is spent to move it. Giant agribusiness farms rely on intensive row crop farming and heavy use of chemical spraying and artificial fertilizers, all of which cause massive erosion and place a strain on water supplies. The nation's ability to feed itself is being jeopardized, as each year more and more land is eroded by large-scale, quick-profit commercial farming.

Many corporation are owned by stockholders who, because of their scattered numbers, have little say over the management of their holdings. From this fact, it has been incorrectly inferred that control of most firms has passed into the hands of corporate managers who run their companies with a regard for the public interest that is not shared by their profit-

hungry stockholders. Since 1932, when A.A.Berle and Gardner Means first portrayed the giant firms as developing "into a purely neutral technocracy," controlled by disinterested managers who allocated resources on the basis of public need "rather than private cupidity," many observers have come to treat this fantasy as a reality.

In fact, the separation of ownership from management is far from complete. Almost one-third of the top 500 corporations in the United States are controlled by one individual or family. Furthermore, the decline of family capitalism has not led to widespread ownership among the general public. The diffusion of stock ownership has not cut across class lines but has occurred within the upper class itself. In an earlier day, three families might have holdings in all three companies, thereby giving "the upper class an even greater community of interest than they had in the past."

Some "family enterprises" are of colossal size. Indeed, a small number of the wealthiest families, such as the Melons, Morgans, DuPonts, and Rockefellers, dominate the American economy. The DuPont family controls eight of the largest defense contractors and grossed over $15 billion in military contracts during the Vietnam War. The DuPonts control ten corporations that each have billions of dollars in assets, including General Motors, Coca-Cola, and United Brands, along with many smaller firms. The DuPonts serve as trustees of scores of colleges. They own about forty manorial estates and private museums in Delaware alone and have set up thirty-one tax-exempt foundations. The family is frequently the largest contributor to Republican presidential campaigns and has financed right wing and anti-labor causes.

Another powerful family enterprise, that of the Rockefellers, extends into just about every industry in every State if the Union and every nation in the non-socialist world. The Rockefellers controls five of the twelve largest oil companies and four of the largest banks in the world.

They finance universities, churches, "cultural centers," and youth Organizations. At one time or another, they or their close associates have occupied the offices of the president, vice-president, secretaries of State, Commerce, Defense, and other cabinet posts, the Federal Reserve Board, the governorships of several States, key positions in the Central Intelligence Agency (CIA). the U.S. Senate and House, and the Council on Foreign Relations.

In companies not directly under family control, the supposedly public-minded managers are large investors in corporate America. Managers award themselves stupendous salaries and other benefits. Thus, despite recessions and widespread layoffs in various industries, compensation for executives has been rising more than 13 percent annually. By 1986, most chief executive officers were making between $1 million and $2 million a year in salaries, bonuses, stock options, and other perks. Some do even better: in 1985, Victor Posner, chairman of DWG Corporation, reaped $12.7 million, while Lee Iacocca, head of Chrysler, took in $11.5 million. A few years before, Frederick Smith, chairman of Federal Express, pocketed $54 million, and Charles Lazarus, chairman of Toys 'R' Us, raked in $44 million. As Richard Munro, president of Time Inc., admitted: "Corporate managers lead just about the most privileged lives in our society."

The executives of large corporation are almost always wealthy individuals who have a direct interest in corporate profits. Far from being neutral technocrats dedicated to the public welfare, they represent the more active element of a self-interested owning class. Their power does not rest in their holdings but in their corporate positions. "Not great fortunes, but great corporations are the important units of wealth, to which individuals of property are variously attached."

## Questions:

1. "It is very easy to understand classes if we know how 'production' attains 'value'". How? Explain by means of an example.
2. If workers get this entire portion in the production, then the question of 'classes' does not arise". Which is that portion?
3. How is a non-labouring class able to exploit the labouring class? Why is the latter class allowing it?
4. Who are 'masters' ('owners') and how are they formed? What is the difference between a slave-master and a feudal lord? Is a slave-master too a feudal lord? Is the feudal lord too a slave-master?
5. What is the basis for the formation of 'the rich' and 'the poor'.
6. Burglars broke open a house and stole jewellery and money. Is this 'exploitation of labour'?

7. In a journey, one person stole the bag of another person. Is it 'exploitation of labour'?
8. How can we say that there is a contradiction in the relations between classes?
9. What should happen in order to eliminate contradictions between classes?
10. Suppose, 100% exploitation of labour is going on in society and we are able to reduce it as 10%. Does it mean that classes have vanished?
11. "To say that 'classes have to vanish if contradictions between classes have to vanish' amounts to saying that the 'body has to vanish if disease in the body has to vanish"—If some one argues like this what is your answer?
12. "Existence of different tribes in the ancient time" does not mean 'existence of different classes". Why?
13. The condition of a worker is an improvement compared to the condition of a feudal tenant peasant. How? Give some points.
14. It is the working class that performs productive and unproductive labour necessary for society, isn't it? Why is it subservient to the bourgeois class?
15. "Land belongs to the landlord, isn't it? Why does the landowner give his land if others do not give him rent?"—What is your answer to this argument.
16. Do you know the story of 'savers and idlers'? Do you agree with it?
17. How can we say that a capitalist economist is merely a writer who transcribes the views of the capitalist class on to the books?
18. Can we indicate the class to which the following persons belong? A doctor, a lawyer, engineer, a writer, a student, a teacher, a musician, a supervisor in a mine, a sewerage worker, a cook and a nurse in a Government hospital.
19. "The capitalist class is the slave of the capitalist laws"—What are those laws?

20. Napoleon III was the Emperor of France from 1852 to 1870. That is, an emperor of the capitalist class. Give some such names of the Kings in the capitalist countries.

21. Do you know any millionaire who turned into a pauper due to more children? Or do you know any millionaire who became a pauper due to drinking?

22. "The liberation of the workers will liberate the entire society"-How?

23. The entire income of a person is 'land rent'. Can we say the class position of that person?

24. The entire income of a person is 'wage'. Can we indicate the class position of that person?

25. To which class do you belong? To which section of that class?

26. Go through this news. It is needless to say specifically that all the decisions in the State Budget are favourable to the interests of the capitalist class. However, the interests of all persons within the same class will not be identical. The decisions in the Budget will be more favourable especially to one or two groups. It so happens only if persons of those groups have a strong hold in the government. Collect some more news as this. Observe the essence in this news.

**"Manmohan's boon to Ambanis"**

(Andhra prabha correspondent)

New Delhi, February 28: Ambanis are going to get the majority concessions, which the Finance Minister Manmohan Singh provided in the current year's budget. Is there 'secret' in this? During the last two years, the Reliance group has benefited a lot due to the reduction in the excise duty. As a result of the reduction in the customs and excise duty during the current year, the Reliance group will have a double benefit.

It has been proposed in the Budget that the government is going to reduce the excise duty on Polyester Filament cotton from Rs.80 to Rs.60 on each kilo. Owing to this single concession Ambanis are going to get an annual profit of Rs.80 crores, say sources in the industrial circles. They also informed that Ambanis will get a profit of some more crores of rupees due to: a reduction of excise duty by

one rupee per kilo on Polyester Sapple Fiber (PSF) and a reduction of customs duty on many imported raw materials. According to the estimate of the industrial circles, the Reliance group will get a profit of 150 crores of rupees in the coming financial year. Some other sources are of the opinion that these profits would be much more than these estimates. (Andhra Prabha daily dt.1-3-1993, Hyderabad edition).

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Chapter 7

# Marx's questions to workers

(Reproduced from pp.211-18 of 'Karl Marx: Selected Writings in Sociology and Social Philosophy'. Edited with an Introduction and Notes by T. B. Bottomore and Maximilien Rubel. Texts translated by **T. B. Bottomore**. Penguin Books, 1975. The present questionnaire, according to the editors of the Penguin edition, was first published on 20 April 1880 in French. Another translation of this text is available in 'Karl Marx and Frederick Engels: Collected Works, vol.24, pp.328-334, under the title 'Workers' Questionnaire'. Moscow: Progress Publishers, 1989.)

1. What is your occupation?

2. Does the workshop in which you are employed belong to a capitalist or to a joint-stock company? Give the names of the capitalist employers or of the directors of the company.

3. State the number of persons employed.

4. State their ages and sex.

5. What is the minimum age at which children (boys or girls) are employed?

6. State the number of supervisors and other employees who are not ordinary wage earners.

7. Are there any apprentices? How many?

8. Are there, in addition to the workers usually and regularly employed, others who are employed at certain periods?

9. Does your employer's industry work exclusively or primarily for the local market, for the national market, or for export?

10. Is the workshop in the country or in the town? Give the name of the place where it is situated.

11. If your workshop is in the country, does your industrial work enable you to live, or do you combine it with agricultural work?

12. Is your work done by hand or with the aid of machinery?

13. Give details of the division of labour in your industry.

14. Is steam used as motive power?

15. State the number of workshops in which the different branches of the industry are carried on. Describe the special branch in which you are employed, giving information not only about the technical aspects, but also about the muscular and nervous strain involved, and the general effects of the work on the health of the workers.

16. Describe the sanitary conditions in the workshop; size of the rooms, space assigned to each worker, ventilation, temperature, whitewashing of the walls, lavatories, general cleanliness, noise of machines, metallic dust, humidity, etc.

17. Is there any municipal or governmental supervision of the sanitary conditions in the workshops?

18. In your industry, are there any harmful fumes, which cause specific illnesses among the workers?

19. Is the workshop overcrowded with machines?

20. Are the machines, the transmission system, and the engines supplying power protected so as to avoid any accidents?

21. Enumerate the accidents, which have occurred in your personal experience.

22. If you work in a mine, enumerate the preventive measures taken by your employer to ensure adequate ventilation and to prevent explosions and other dangerous accidents.

23. If you are employed in a chemical works, in a factory, in the metal-working industry, or in any other industry, which is particularly dangerous, enumerate the safety measures introduced by your employer?

24. How is your factory lighted (by gas, paraffin, etc.)?

25. In case of fire, are there enough emergency exits?

26. In case of accidents, is the employer obliged by law to pay compensation to the worker or his family?

27. If not, has he ever paid compensation to those who have met with an accident while working to enrich him?

28. Is there a medical service in your workshop?

29. If you work at home, describe the condition of your workroom. Do you use only tools, or do you use small machines? Are you helped by your children or by any other people (adults or children, male or female)? Do you work for individual clients or for a contractor? Do you deal directly with the latter, or do you deal with a middleman?

30. State your daily hours of work, and working days in the week.

31. State the holidays during the year.

32. What are the breaks in the working day?

33. Are meals taken at regular intervals or irregularly? Are they taken in the workshop or elsewhere?

34. Do you work during the meal breaks?

35. If steam power is used, when is the power turned on, and when is it turned off?

36. Is there any night work?

37. State the hours of work of children and of young persons below the age of 16.

38. Are there shifts of children and young persons which replace each other during the hours of work?

39. Are the laws concerning the employment of children enforced by the government or the municipality? Are they respected by the employer?

40. Are there any schools for the children and young persons employed in your trade? If there are, what are the school hours? Who runs the schools? What is taught in them?

41. When work continues day and night how are the shifts organized?

42. What is the normal increase in hours of work during periods of great industrial activity?

43. Are the machines cleaned by workers specially employed for this work, or are they cleaned gratuitously by the workers who are employed on them during the working day?

44. What are the regulations and the penalties for lateness? At what time does the working day begin, and at what time does it begin again after meals?

45. How much time do you spend in getting to work and in returning home?

46. What kind of work contract do you have with your employer? Are you engaged by the day, by the week, by the month, etc.?

47. What are the conditions laid down for giving or receiving notice?

48. In the event of the contract being broken, what penalty is imposed on the employer if it is his fault?

49. What penalty is imposed on the worker if it is his fault?

50. If there are apprentices, what are the terms of their contract?

51. Is your work regular or irregular?

52. In your trade, is the work seasonal, or is it, in normal times, spread more or less evenly over the year? If your work is seasonal, how do you live in the periods between working?

53. Are you paid time rates or piece rates?

54. If you are paid time rates, are you paid by the hour or by the day?

55. Is there additional pay for overtime work? What is it?

56. If you are paid piece rates, how are they fixed? If you are employed in an industry in which the work performed is measured by quantity or weight, as is the case in the mines, does your employer or his representative resort to trickery in order to defraud you of a part of your earnings?

57. If you are paid piece rates, is the quality of the article made a pretext for fraudulent deductions from your wages?

58. Whether you are paid piece rates or time rates, when are you paid, or in other words how long is the credit which you extend to your master before receiving the price of the work carried out? Are you paid at the end of the week, a month, etc.?

59. Have you noticed that the delay in paying your wages makes it necessary for you to resort frequently to the pawn-broker, paying a high rate of interest, and depriving yourself of things which you need; or to fall into debt to shopkeepers, becoming their victim because you are their debtor? Do you know any instances in which workers have lost their wages through the bankruptcy of their employers?

60. Are wages are paid directly by the employer, or by middlemen (sub-contractors, etc.)?

61. If wages are paid by sub-contractors, or other middlemen, what are the terms of your contract?

62. What is your daily and weekly wage rate in money?

63. What are the wages of women and children working with you in the same workshop?

64. What was the highest daily wage in your workshop during the past month?

65. What was the highest piece-rate wage...?

66. What was your wage during the same period, and if you have a family what were the wages of your wife and children?

67. Are wages paid entirely in money, or in some other way?

68. If you rent your dwelling from your employer, what are the conditions? Does he deduct the rent from your wages?

69. What are the prices of necessities such as:

a) rent of dwelling; conditions of letting; number of rooms, number of inhabitants, repairs and insurance; purchase and maintenance of furniture, heating, lighting, water;

b) food: bread, meat, vegetables, potatoes, etc., milk, eggs, fish, butter, oil, lard, sugar, salt, spices, coffee, chicory, beer, cider, wine, etc., tobacco;

c) clothing for parents and children, laundry, personal toilet, baths, soap, etc.;

d) various expenses: postage, loans and pawnbrokers' charges, children's school or apprenticeship fees, papers and books, contributions to friendly societies, or for strikes, cooperatives and defence societies;

e) expenses, if any, caused by your work;

f) taxes.

70. Try to draw up a budget of the weekly and annual income and expenditure of yourself and your family.

71. Have you noticed, in your personal experience, a greater rise in the price of the necessities of life, such as food and shelter, than in wages?

72. State the fluctuations in wage rates which are known to you.

73. State the wage reductions in periods of stagnation and industrial crisis.

74. State the wage increases in so-called periods of prosperity.

75. Note the interruptions of work resulting from changes of fashion and from particular and general crises. Give an account of your own experiences of involuntary unemployment.

76. Compare *the price of the article you produce,* or of the services you provide, with the price of your labour.

77. Quote any instance you know of workers being displaced by the introduction of machinery or by other improvements.

78. With the development of machinery and the productivity of labour, has the intensity and duration of work increased or diminished?

79. Do you know of any instance of an increase of wages in consequence of the progress of production?

80. Have you ever known any ordinary workers who were able to retire at the age of fifty and to live on the money acquired in their capacity as wage earners?

81. For how many years, in your trade, can a worker of average health continue to work?

82. Are there any defence organizations in your trade, and how are they conducted? Send their statutes and rules.

83. How many strikes have occurred in your trade in the course of your career?

84. How long did these strikes last?

85. Were they general or partial?

86. Was their aim an increase in wages, or were they organized to resist a wage reduction? Or were they concerned with the length of the working day, or caused by other factors?

87. What results did they achieve?

88. Say what you think of the actions of Prud'hommes(arbitrators).

89. Has your trade supported strikes by workers of other trades?

90. Give an account of the rules and penalties instituted by your employer for the government of his wage earners.

91. Have there been any combinations of employers for the purpose of imposing wage reductions, increasing working hours, or preventing strikes, or, in general, for getting their own way?

92. Do you know any instances in which the Government has misused the forces of the State, in order to place them at the disposal of employers against their employees?

93. Do you know any instances in which the Government has intervened to protect the workers against the exactions of the employers and their illegal combinations?

94. Does the Government apply against the employers the existing labour laws? Do its inspectors carry out their duties conscientiously?

95. Are there, in your workshop or trade, any friendly societies for cases of accident, illness, death, temporary incapacity for work, old age, etc.? Send their statutes and rules.

96. Is membership of these societies voluntary or obligatory? Are their funds controlled exclusively by the workers?

97. If the contributions are obligatory and under the control of the employers, are they deducted from wages? Is interest paid on these contributions? Are they returned to the worker when he leaves or is dismissed? Do you know any instances in which workers have benefited from so-called retirement funds controlled by the employers, but whose capital is derived from the workers' wages?

98. Are there any cooperative societies in your trade? How are they managed? Do they employ workers from outside in the same way as the capitalists do? Send their statutes and rules.

99. Are there any workshops in your trade in which the workers remunerated partly by wages and partly by a so-called participation in the profits? Compare the sums received by these workers with those received by workers where there is no so-called participation in profits. State the obligations of workers living under this system. Can they go on strike? Or are they only permitted to be the humble servants of their masters?

100. What is the general physical, intellectual, and moral condition of men and women workers employed in your trade?

101. General comments.

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# PART 2

# Towards a Classless Society

Chapter 1

## The New Society

New society means a society that involves 'equal labour relations'. Such a society, by itself, will not be readily available. The entire labouring population has to establish it with a specific aim of 'equality'. The working class itself has to initiate.

The thought of 'new society', may seem unclear but its beginning implies the beginning of an attempt toward such a society.

The capitalist society is full of all kinds of negative features that have been accumulated through slavery, feudalism and capitalism.

The working class has to change such a society into 'revolutionary society'!

Owing to its existence in the exploitative society, the working class too possesses all kinds of negative features. Yet, the working class is such a class that has the specialty called 'performance of labour'. This class, which does labour and which is subject to exploitation, has to get rid of all its negative features in order to liberate itself. Hence, the working class, while changing itself and the exploitative society, has to liberate itself.

However disunited it may be due to 'competition' among its members, however wanting it may be in theory and whatever be its weaknesses and inabilities, the working class in the capitalist society is bound to enter into a struggle with the 'class of owners'. Its unbearable conditions of life do not let it live peacefully without a need to fight. The problems, which are unresolvable without a struggle, inevitably drive it toward struggles against the class of owners in every issue.

Just as past labouring classes had waged struggles, the working class has also been waging struggles since a long time.

The working class has to derive, through Marxism alone, the understanding and class-consciousness that it is subjected to exploitation as a class. It has to continue its struggle through 'trade unions', which take Marxism as their guiding principle, and through its political organisation 'communist party'.

The working class struggle may proceed in many haphazard ways, with many wrong steps and under many more wrong influences. All this may happen in every stage of the struggle.

As long as mistakes are many, the working class will face only 'defeats' instead of successes. However, 'defeats' too cannot eliminate struggles. Let any number of defeats come in its way, the working class cannot afford to give up its struggle. Its conditions are such that it has to enter into a conflict again and again even after a defeat. Its conditions are such that it cannot achieve even a very minor demand unless it struggles. Hence, even colossal defeats can not keep off their struggle.

Therefore, keeping aside successes and defeats and disregarding them, we will see here the construction of a new society at the theoretical level. We understand the struggle of the working class in its 'pure form' by assuming that the working class carries on its struggle with a totally correct class consciousness, that it will have a leadership which possesses sincerity and Marxist theoretical knowledge and that it marches forward from one stage to another.

The working class initiates 'revolutionary changes' under the guiding principles, namely 'opposition to exploitation, 'use-value perspective' and 'equality'.

Every change gives many 'experiences'. This class has to receive correct aspects of its experience that help its emancipation, reject the incorrect aspects and proceed forward.

The basis that enables the exploiting class to extract rents, interests and profits is its private right over the 'land' and 'capital'. In order to wield the power to remove such right, the working class, first of all, has to seize the political power in the society. Which means, it has to overthrow the State (Government) of the capitalist class and establish working class

government. This is possible only by means of 'armed struggle'. It is because the exploiting class that lives without doing labour will never agree voluntarily and peacefully to give up its 'property right' and participate in 'labour'. Moreover, the capitalist class tries to suppress the working class in order to prevent it from revolting. Therefore, the working class has to overthrow that class from the political power by means of 'armed struggle' only.

The entire process, beginning from the seizure of political power by the working class to rule the society till it reaches the 'goal', will be a 'long-drawn process of evolution'. The entire period will be a 'transitory stage' (period of transition) that involves many changes.

It will not become a 'New Society' as soon as the working class seizes the political power. It is still the old society. The 'New Society' will not be a readily available society. The working class has to transform the old society into the New Society. It has to build it afresh.

It has to change the 'exploitative' society into 'exploitation-free' society,

'class' society into 'classless' society,

society of 'inequalities' into society of 'equality'.

It would not become a New Society before all these changes take place.

However, we call it a 'New Society' even before all these changes take place since it begins with a view to introducing all these changes and its goal itself is a 'new' one!

In the New Society, classes will not disappear as soon as we begin to eliminate the 'property right'. They simply begin to shake. That itself will not be their 'disappearance'. The entire class, which was until then not doing any labour, has to begin to do labour. Further all the necessary changes should begin so that all the sections that do mental labour do manual labour and all the sections that do manual labour do mental labour. Changes should also take place in the division of labour between men and women. All this constitutes a long-drawn period of transition.

While a change takes place, 'new classes' emerge in accordance with the new conditions. Those 'new classes' too struggle for their 'own interests'.

The class, which was obliged to give up all its past power, tries to retain its hegemony at some level or the other even during that new phase. But, the other class, which faces problems due to that hegemony, struggle against that hegemony. This is a struggle between the features of exploitation and anti-exploitation. That is, class struggle. If this struggle were not there, it is not possible to change those features of exploitation.

As long as classes do not become 'one and the same', that is as long as complete changes that make interests of all persons identical take place, that is as long as persons have their own and different interests in society, struggles among different interests are inevitable. Problems and struggles will continue to exist.

It follows that whatever be the change, occurrence of a change in society will be advantageous to one class while non-occurrence of that change will be advantageous to another class. Thus it would lead to a 'conflict'. Even if the two classes accomplish a change unitedly in a given stage, a new conflict will arise in the context of another new change. The struggle between classes changes from one stage to another.

That is, the entire period of constructing the New Society will be a period of class period during which conflicts between the features of exploitation and non-exploitation arise.

Changing the class society into a 'classless society' is akin to changing a patient, who has been suffering with a chronic disease into a healthy person by means of a proper treatment.

Transition from 'ill-health' to 'good health' is a process of evolution. Take any phase of that transition period, we find only a 'slight recovery' but not 'complete health'. Take any phase, we still find symptoms of the disease.

Similarly, take any phase of the society under transformation, we will still find 'class features'.

'Classlessness' itself is the final goal of the struggle!

Let us see the entire period of class struggle as follows!

Abolition of 'private property' over means of production! Abolition of rent, interest and profit! Abolition of 'masterhood'! Abolition of the capitalist division of labour! Abolition of the contradiction between the

town and the country (urban Vs. rural)! Abolition of inequality between women and men! Abolition of 'night work'! Abolition of caste and religion! Abolition of 'wage slavery'! Abolition of 'trade'! Abolition of 'value'! Abolition of the State machinery! Abolition of 'classes'! We have to include all kinds of 'abolition' and changes that are still necessary to attain the 'noble goal' of abolition of classes in this process of struggle. The result of all these kinds of abolition is the 'New Society!

All the changes are not separate stages. They have to pass on with mutual links. One has to influence the other. Yet, all changes do not begin during the same period.

The products in the 'New Society' will remain as 'commodities' until many changes take place. We will find all kinds of things; e.g., price fixation and the sales of the commodities. However, all these things will not have the capitalist character but will and should have a 'changing nature'.

We should not assume that changes, such as doing away with commodity sales, abolition of 'wage labour' or equalisation of wages, should take place at the same moment after the beginning of the New Society. Every change requires a process. Unless we create appropriate conditions for a given change, we cannot bring about that change. That change will not take place just because we make a 'law'. That law has to come into our 'real life'. It means, that change has to occur 'socially' also. A legal change by itself will not be a social change. All the social changes should occur in the relations of life.

It is important to note whether each change takes place socially also.

We have talked on many occasions about the changes in the 'New society' in volumes 1 and 2 as well as in part 1 of this volume. On many occasions we have discussed division of labour under the New Society, shift system, productive powers, working day, and reproduction under the New Society and many such issues. Here it is relevant to mention those issues plus some more new issues.

Here, we will briefly examine all kinds of 'abolition'.

## 1) Abolition of 'private property' over means of production

The working class takes hold of the society in the same form as it exists at the time of seizure of 'political power'. In such a society, some part of the land, mines, factories and such other means of production will be in the hands of the 'State'. Most part of those means will be under the control of native as well as foreign capitalists, some part in the hands of the petty-bourgeoisie and a very small part in the hands of 'independent producers'.

When the working class takes the control over such a society, all the branches of production and properties of the old State will naturally come under the control of the Working Class State.

The tenant peasants who labour for themselves and the agricultural labourers will have to distribute among themselves the lands of the landlords irrespective of gender (male, female) distinctions.

The families of the landlords too have to do labour for themselves in the land that they get as their share.

Workers will occupy the factories of the private capitalists. Those private capitalists too will have to do labour.

The petty-bourgeoisie can retain their means of production as before for a certain period of time. But, workers' wages, working hours and other working conditions have to be in accordance with the new rules and regulations. Gradually, those means of production too will come under the supervision of the workers.

After some time, the 'independent producers' and the agricultural labourers who distributed lands among themselves will gradually combine their lands and begin to form into 'collective associations' by doing collective cultivation.

This process, which establishes collective right and collective responsibility over the means of production will have to develop till the stage where there would not be contradictions.

Let us imagine that the capitalist class too get down to labour since there would be a condition of 'compulsory labour' along with the abolition

of right to private property. But this class will not at once change into a general working class.

Yet, we will have to call them 'producers' since all persons do labour.

While talking about the class that has the goal to change the society, we are still obliged to use the term 'working class'. We will still have to use terms relating to class differences in some more contexts because class distinctions still exist.

## 2) Abolition of rent, interest and profit

***About Rent:***

When we abolish the private right over the land, the 'ownership' or the 'masterhood' will be first abolished. There will not be any need to pay some portion out of the 'value' of the commodity to any one. The first thing that we can eliminate in the 'new society' is 'rent'.

However, since there would not be anything that would be paid as 'rent' under the New Society, do we have to add or not the portion of the rent while fixing the commodity 'price'? With this question, the question of 'price in the New Society' begins. We have to discuss this question from many angles.

(Here, to make our examples simple, we are not considering such distinctions as value, production price and market price. We assume both value and the price identical).

When there is no 'rent' at all, it is not necessary to add the portion of the rent to the price. This is the correct reply.

But, we have to offer correct answers to the questions that arise out of this.

'Rent' is part of 'surplus value'. No value adds to the commodity through the rent. Yet, in the capitalist society, we have to add the portion of rent also in order to calculate the 'value' of the commodity or to find out the amount of 'surplus value' present in that 'value'. If we do not do so, that is if we calculate the value without adding the rent, then the 'value' of the commodity appears to have decreased.

Moreover, 'surplus value' present in that value too appears to have

decreased. This means, if we do not take 'rent' into account, the sizes of 'value' or 'surplus value' will not be visible. Hence, in the capitalist society, the commodity 'value' should contain the portion of the rent also. But, this does not apply to the New Society. In the New Society, we have to calculate 'value'('price') without a reference to the term 'rent'. However, there arises another question over this point. If we calculate value without adding rent, then the value appears to have decreased, doesn't it? Then, it would not be the real value of the commodity. Hence, even in the New Society, we can add 'rent' in our calculation of the 'value' and the producers can take it, can't we? Why can't we do it? This is the question.

The point that we have to decide here is this: Do we have to add 'rent' to the 'value' of the New Society, calculate accordingly and treat it as the portion that goes to the producers? Or, should we not add any portion under the name of 'rent' to the 'value'?

We should not add any portion in the name of 'rent'. This alone is the correct answer. It is because, even the person who does labour has no right to consume some portion in the name of 'rent'. Even the producers are not the owners of the land. They are merely people who have to use the land. The producers will any way have the right to receive that portion (that is the right to receive their entire labour) even if there is no name 'rent'. Hence the producers should not treat some portion of their labour as 'rent'. When people receive their respective labour, it is not called 'rent'. As the concept of 'rent' itself is wrong, that term should not be heard in the 'New Society'. Many terms related to the capitalist society will become meaningless in the context of the New Society. Therefore, there is no question of adding 'rent' to the 'value' under New Society.

Well, then, how do we know the actual value of a commodity if we calculate it without adding 'rent'? Will, then, the size of the value appear to have decreased?

Answer to this question: Then the entire 'society' follows the same method of calculation: addition or non-addition of 'rent' to the price gives the same result. This is how it happens: suppose the price rises by 10% everywhere by adding the portion of 'rent' in every branch of production. Let us also suppose that the price decreases by 10% everywhere if we do not add the portion of 'rent' in every branch. Whether the prices of all

commodities rise uniformly or fall uniformly, it is the same thing. The problem arises only when we add 'rent' to the prices of certain branches and do not add in certain other branches. But, there would not be any problem if we do not add it to the price of any branch.

The price to which rent is not added would be lower than that to which rent is added. But, as the prices of all the branches are low, those low prices themselves stand as actual prices in that society. Owing to this, no portion of the 'value' disappears. Likewise, no portion of the 'quantity of production' disappears. The entire 'mass of commodities' will be as before. The 'labour time' necessary for that mass will also be as before. All the relations among the prices of the commodities of different branches will be as before. No problem arises when we do not add the portion of 'rent' in any branch.

However, let us say, there are some capitalist countries alongside of the 'New Society'. As prices there include 'rent', they stand as higher prices. Whereas in the country which is establishing a New Society, we find lower prices. Then, with what sort of prices should the exchanges (exports and imports) take place?

Let us take the same kind of commodity at both the places.

Let us say the productive powers at both the places are the same.

Let us say that the price of 1 unit (including rent)is 5. The price of 1 unit(excluding rent)is 4. This means, the price at the second place will also be 5 if we add the 'rent'.

Therefore, while selling its commodities to the capitalist countries, the New Society cannot sell them at the prices that it fixes within the context of its own society. If it does so, the New Society will lose some value. Hence, it has to increase to the same extent at which the price rises after adding an average rate of rent.

However, we should not raise that price in the name of 'rent'. Since that portion too is part of the labour spent on the commodity, we have to raise the price and name it 'social fund'. When we speak of 'price in the 'New society', there would not be aspects and their labels which we find in the capitalist price as they are. In the price of the 'New Society', we have to begin to use a new term 'social fund'.

Even in the New Society, in order to produce articles, means of production and many products for the consumption of labouring persons both at home and outside will be spent. These expenses may sometimes include 'surplus labour' and may not include sometimes. If the surplus labour is present, we will also add it to the 'price'. If the surplus labour is not present, we will fix the price without adding it.

In the New Society, not only the expenditure connected with means of production and the wages but also expenses spent by way of 'social fund, too will be known. Therefore, here, we have to count the expenses of this society in order to fix the price. The element of 'rent' does not add to the price of the New Society.

If both the countries are New Societies and if there are prices excluding rent at both the places, then such countries can export and import their commodities at the same prices, which are fixed within the limits of their respective societies.

We have discussed these issues in the previous volumes at least in three contexts.

(1) In the section on 'will the working day in the New Society consist of two parts', of the chapter 'Working Day' in part 2 of volume 1, we have discussed some of these points.

(2) Also, in the section on 'Reproduction in the New Society', of the chapter 'Expansion of Capital' in part 1 of volume 2, we have discussed some of these pints.

(3) Also in the section 'Price in the New Society', of the chapter 'Capitalist Price' in part 2 of volume 2, we have discussed some of these points.

Now, in this volume, we are discussing whether the price in the New Society include rent, interest and profit. Combining all these points, we have to understand this issue of 'price'.

Marx did not specially discuss many details concerning the 'price in the New Society'. However, he mentioned here and there briefly such issues as composition of the Working Day as two parts in the New Society, planning in the New Society and Division of labour in the New Society. Marx referred to the second part of the working day in the New Society

as 'common needs', 'common funds' and 'social consumption fund'. (In the first chapter of 'The critique of Gotha Programme', pp.15 16 and 17. Moscow edition, 1971).

> In volume 1 of 'Capital'(p.496), Marx said the following: "Only by suppressing the capitalist form of production could the length of the working day be reduced to the necessary labour-time. But, even in that case, the latter would extend its limits. On the one hand, because the notion of "means of subsistence" would considerably expand, and the labourer would lay claim to an altogether different standard of life. On the other hand, because a part of what is now surplus-labour, would then count as necessary labour; I mean the labour of forming a fund for reserve and accumulation."

Thus, we have to discuss the issue of 'price in the New Society' based on what Marx had very briefly talked about the working day in the New Society.

In the course of 'building' a New Society, we will come across at every step many hundreds of problems, beside the problem of 'rent'. The New Society will not be available in a readymade fashion. No one will build it and give it to our hand. Even the economic principles of the New Society will not be available in a readymade fashion. However, we can definitely develop the New Economic principles provided we understand the aspects of 'value', apply the law of value to our anti-exploitation goal and utilise experiences in the course of our application of law of value. As we distance ourselves in every aspect from the features of exploitation, from the capitalist competition and market practices, we can evolve the New Economic Laws.

***About Interest:***

Interest too is like 'rent'. Just as we have removed the portion of 'rent' from the price, we have to remove the portion of the 'interest' from the price.

While the price that includes 'interest' is higher, the price that excludes 'interest' will be lower.

However, since the prices of all the branches do not include interest, there would not be a problem due to the lower prices. Those lower prices themselves will be actual prices in the context of that society.

Many branches of production in the 'New Society' will be under the control of the Government. Those branches give one another their respective products (as per their price calculation).

Banks will also be under the control of the Government.

We will not find a State-run productive branch borrowing 'money-capital' from a State-run Bank and paying interest to it.

We will not find private money-lenders, private finance companies and borrowings from them.

One more question: suppose the producers keep some part of their wages in the Banks. Should the Banks pay 'interest' on those 'deposits'? Let us say, they have to pay. How will the Banks pay 'interest' if they do not conduct money-lending business with those deposits?

If the transaction of 'interest' is also present in the New Society, some portion, which the producers get as wages, will decrease as long as 'interest' exists and some part of the decreased portion of the wages will go as interest on the Bank deposit.

Let us discuss briefly how this happens.

Suppose a State-run productive enterprise borrowed '100 capital' from a State Bank and produced a commodity. When it sells the commodity, it pays 'interest' (also the 'principal' amount) to the Bank from the value of the commodity. As some part out of the commodity value goes to the Bank toward the interest, wages that the producers receive decrease to some extent. If it was not obligatory to pay the interest to the Bank, that portion too could have gone to the producers and their wages could have been in a somewhat greater quantity. The size of the wage thus decreases due to the factor of 'interest'.

While this is so what happens on the other hand is this: If some part of the wages of the producers remain in Banks as deposits, the producers get some interest. The Banks pay this interest to its depositors from the interest that is earned from the State-run productive enterprise. The essence of this is as follows. As long as transaction of 'interest' exists, some portion of the wages of the producers decreases on the one hand and some part of that decreased portion comes to the producers in the name of interest from the State Bank.

Suppose, the decreased part of the wage is 5%, the interest that comes from the Bank will not be 5% because some expenses are incurred on conducting the money lending activities. The portion of these expenses will go waste without coming to any one. Since interest has to be distributed only after deducting those expenses, the entire decreased part of the wages will not come as 'interest'.

Let us say that in the New Society, all persons are doing labour, receiving wages and saving 10% of their wages in the Banks. Let us also suppose that Banks pay 5% interest uniformly to all its depositors.

This means, every person is getting a portion of his/her wage as 'interest'.

Here, the interest that each person gets is his/her own labour only.

Is it right on the part of producers to receive interest on their savings just because the interest that a depositor receives is nothing but his/her own labour?

No. It is not at all correct. 'Interest' is a wrong conceptual category. 'Money' does not have the right to take interest.

Though the producers save their income in the banks, they do not have the right to receive more money by depositing less money.

When a person receives his/her own labour, it should not be in the 'faulty form'. Hence, it should not be even in the form of 'interest'. Any faulty form, which labour assumes, will keep the labouring person under false notion. Labourers who receive 'interest' cannot understand it as a part of their labour. Instead of considering it as their own labour, they hold a wrong view that 'their saved money itself created interest'. A labouring person should receive his labour with a clear understanding of labour thus, "This is my labour!"

If labouring persons do not realise the wrongness in receiving their labour in the name of 'rent' and 'interest', it means that those producers do not have a proper understanding of 'labour'.

It follows that such a society continues to exist with the 'fetishistic' features of the exploitative society.

Here we need an answer for one more question.

Would not the 'money value' keep falling in the New Society as well? Would not the commodity prices keep rising to some extent? If the deposited amount of money alone returns from the bank. Would not the number of products to be bought decrease? Would not the depositor of money incur loss? Hence, should not the deposited amount of money grow at least to some extent?

The answer to all these questions is this. The conditions of inflation, fall in the value of money day after day and the resultant fall in the prices, which are present in the capitalist society, will not be present in the New Society. If those conditions emerge, then it cannot be called the 'New Society'. It is called the 'New system' only when it does not give any scope for the emergence of the problems that arise in the capitalist system.

Suppose, we find some sort of inflationary situation in the New Society also due to lack of proper experience, due to the fact that it is still a class society or due to some such factors. As a result of this, let us say, the commodity prices rise and the value of the money that the producers deposited in the banks falls. When they buy commodities with the deposited money, the quantity of the commodities decreases to some extent. The commodities so decreased will not go anywhere. Those commodities too reach the producers in the form of 'social fund'. The commodities not received in the form of 'wages' are bound to come in the form of social fund and the commodities not received in the form of 'social fund' are bound to come in the form of wages. There would not be any part that goes waste without coming in some form or the other.

Yet we have to note one point here regarding the savings. It is meaningless to save some part of the wage in a society where every individual has to live on his/her own labour. This is due to two reasons:

(1) The part one can save from the wage will be very small.

(2) In fact, it is not necessary to save even that small amount.

Whereas in the capitalist society, the amount of money that a capitalist earns can be very huge since it depends on the exploitation of the labour of others instead of his own labour. It would be as great as the number of workers that he employs. It is possible to hoard a large part of the money so earned. But in a society where every person has to do labour, the amount of money that a person earns depends on the amount of labour that he/she (can) do. Only a part of that labour comes to that person as

wage. If a person has to discharge his/her family responsibilities and live comfortably, the whole wage will be spent on necessaries of daily life. If that person has to save greater part of the wage, then the wage itself should be in greater quantity. That is, the working day should be longer. Suppose the entire population in the society lengthened the working day, working for more number of hours, receiving more wages and saving large sums of money. If they hoard (save) money like this, when will they spend these savings in future? How will they spend it? It is not possible to convert that money into 'capital'. It is not possible to procure own lands or other properties.

When these persons cannot do labour due to illness or old-age, their needs are taken care of by the then existing labouring population (just as these incapacitated persons once took care of others' needs). Therefore, even when a person wants to spend the saved money, he/she has to spend it on the articles of maintenance only. But, the labour that a person regularly does is enough for maintenance. In such a situation, what is the need to save money from wages?

When we speak of the 'New Society', it does not simply mean that one has to live on his/her own labour. It also means to build life from a use-value perspective. It is enough to do as much labour as is necessary to live naturally and with comfort and peace. It is not necessary to do more labour and hoard it in the form of money. It is a perspective of 'accumulating property'. Such a perspective and the new way of life cannot go together.

'Inflation' is a negative feature of the organisation of economic affairs in the New Society as well. Therefore, if we discuss issues, keeping the New Society in view, all phenomena—such as inflation, fall in the value of Bank reserves and collecting interest in order to compensate the decreased value—will become meaningless in the context of the New Society.

If production relations are in the process of a change in the 'right direction', abolition of 'interest' will not be an unresolvable problem; ways and means to eliminate interest will develop naturally.

The real meaning of the continued existence of interest in society is that there are mainly such conditions whereby one class exploits the labour

of another class and there is still a class which benefits due to the system of interest.

If all persons (the two classes) in the society are opposed to interest, interest will no more exist.

***About 'Profit':***

The case of profit is akin to rent and interest.

We have already concluded that we have to eliminate 'rent' and 'interest' in the New Society. Likewise, we have to eliminate 'profit' as well.

Which means, the price of the commodity in the New Society should not include a portion under the name of 'profit'.

However, even in the New Society there will be a portion, which is 'over and above' the portion of 'wage'. But it is not 'profit'. It is also a portion that comes to the labouring person.

An important problem concerning the New Society is: 'how to fix the price?'

Whereas in the capitalist society, 'price' is fixed by 'adding some profit' to the capital spent. If we examine that 'price', all that is over and above **c+v** is 'surplus value'.

But similar situation does not exist in the 'New Society'. Here, 'rent' is not present, 'interest' is not present and 'profit' is not present. Here, we do not examine the 'price' which a capitalist fixes. We, ourselves, have to fix the price! How is it?

The value of a commodity in any society is the 'total labour' necessary to make it. The factors, which give that total labour, are two:

(1) means of production and

(2) living labour.

The same is the case whether it is capitalist system or the New System. In order to calculate the 'total labour', there is no other way except adding the expenses and surplus value together. Even in the New Society, the only way to fix the value (or, price) is to add 'surplus value' to the costs of production.

While the working day in the capitalist society consists of (1)wage and (2)surplus value, in the New Society it consists of (1) wage and (2) social fund.

The character of these parts, however, is not identical in both the contexts.

If we look at the 'wage', the capitalistic wage keeps workers in 'poverty', while the wage in the New Society does not keep the workers in such a situation. This means, a greater part of the 'value of labour' constitutes wage and the remaining part goes to the 'social fund'.

If we look at the second part, it consists of 'rent, interest and profit in the capitalist society and goes to the non-labouring class. But, this constitutes as 'social fund' in the New Society and this also goes to the labouring person only for the sake of other needs.

If it is in the exploitative society, the labouring class has no need to give up some portion of its labour in the form of 'social fund' because that fund is not spent for the sake of the labouring class. It need not give up its labour for another class instead for its own sake. Therefore, the portion that constitutes 'surplus value' in the exploitative societies and the portion that constitutes 'social fund' in the New society will not have the same character. They will not be of the same quantity either.

The price of a commodity in any society is not calculated afresh without reference to the hitherto existing old price of that commodity. The new price is calculated on the basis of already existing current price and by taking into account the changes in the fresh expenses. This is what should happen in any society.

There would not be any problem in any society with regard to the calculation of 'means of production'. The entire expenditure will be clear. Only the factor of 'living labour' is debatable since it contains the portion of surplus labour. We will be able to know the portion of 'surplus labour' through such details as the already existing current prices, wages, length of the working day etc. Now let us examine briefly the price in the capitalist society and the price in the New Society first in terms of **c+v+s**. This is only to recall certain points, which we examined earlier.

Capitals functioning in different branches do not produce surplus value at the same level. If we take sample capitals from all the branches

at the rate of 100 from each branch, the masses of surplus value, which those capitals produce, will be widely different. Even the 'rate of surplus value' (proportions between **v** and **s**) will be very divergent. Yet, to make our example simple, let us assume the rate of surplus value in all the branches to be 100%. It does not mean that the masses of surplus value will be uniform if the rate of surplus value is uniform. They will be different. Commodity values and their surplus values will be different as follows.

(1) 80c + 20v + 20s =120 value.

(2) 60c + 40v + 40s =140 value.

The rate of surplus value at both the places =100%

But, surplus value in the 1st branch = 20.

Surplus value in the 2nd branch = 40.

While it is so, according to the law of general rate of profit under capitalism, the two capitals have to share the mass of surplus value equally in order to form prices of these commodities.

Total of capitals 100 + 100 = 200.

Total of surplus value 20 + 40 = 60.

This means, if 200 capital shares 60 surplus value, 100 capital should get 30 surplus value. That is the general rate of profit is 30%.

The prices in the two branches will be as follows:

(1) 80c+20v+30s=130.

(2) 60c+40v+30s=130.

Let us examine how prices in the New Society could be formed consisting of the same factors.

Suppose the same **c+v**, the same rate of surplus value and the same masses of surplus value are present in the New Society.

The prices in the New Society, however, need not form as they do in the capitalist society. It is because, the situation, whereby capitals compete and share the mass of surplus value equally, does not exist here. Which means, value itself could stand as price in the New Society. This is how it could be:

(1) 80c+20v+20s=120 price.

(2) 60c+40v+40s=140 price.

Now, let us give up the term **s** in the price of the New Society and look at other examples by adding the term **sf** in the place of **s**.

To make our examples simple, we disregard such distinctions as 'value-production price-market price' and assume that the length of the working day and productive forces are identical both in the capitalist society and the New Society. If we take them differently, prices may change accordingly. But, such changes do not count as changes.

*In the capitalist society:* The capitalist fixes the price of his commodity on the basis current market price and on the changes that take place in the cost of production which he incurred. Suppose the working day is 8 hours. Let us not take 'means of production' (**c**) into account. Let us simply talk about the 'living labour' and it is like this:

**v** + **s**

10 + 10 = 20

*In the New Society:* Since the length of the working day is as before here also, the value of living labour will be as before. But, its constituent parts vary.

In the 'Simple Reproduction' of the New Society:

| Wage | +Regular Social Fund | |
|---|---|---|
| v | + sf | |
| 15 | + 5 | = 20 |

Here, surplus value is not present.

Just as 'wage' is obvious, the second part is also obvious. The amount spent on the total societal needs is the total social fund. Each individual in the society has to contribute one portion to this fund.

If we look at the same living labour of 20 value in the context of 'Expanded Reproduction':

| Wage | + Regular Social Fund | + Surplus Social Fund | |
|---|---|---|---|
| v | + $sf_1$ | + $sf_2$ | |
| 10 | + 5 | + 5 | = 20 |

By the time this 'production process' takes place, the labour spent for the sake of this labouring person (or persons) is $\mathbf{v+sf_1}$ only. $\mathbf{sf_2}$ is surplus labour. This portion of surplus labour too may be used for the same person in the subsequent period. But, by the time that labour takes place, it is 'surplus labour'. Which means, when a person does '20 living labour' and if less than 20 is spent as $\mathbf{v=sf_1}$, the rest is surplus value ($\mathbf{sf_2}$). This portion will be in accordance with the new needs of the society. This portion is not necessary if there are no new needs and if all are regular needs only).

Here, living labour ..... 20
Total Social Fund ..... 10
Surplus Value ..... 5

Surplus labour in the living labour ..... 25%
Surplus labour compared to wage ..... 50%
Surplus labour compared to $\mathbf{v+sf_1}$ ..... 33%

Working day is the total period in which living labour is done. If the working day is 8 hours, $\mathbf{v}$=4 hrs, $\mathbf{sf_1}$=2hrs, $\mathbf{sf_2}$=2hrs. While all the details connected with a commodity is like this, 50% of the wage should be added to the price in order to fix the price of the new commodity.

Every producer has to give 'surplus labour'.
He/she has to give 50% of the wage-hours as surplus labour.
If wage is 10, surplus value is 5.
If wage is 12, surplus value is 6.
If wage is 8, surplus value is 4.

We have to add 'surplus value'($\mathbf{sf_2}$) at a uniform rate to the prices of all the branches. (It is needless to say here that the quantity of surplus value in all the branches will not be uniform even if the rate of surplus value is uniform).

We do not calculate the 'surplus value' with reference to the portion of means of production. We calculate it in relation to the portion of 'wages' only. The portion of wages alone is responsible for the 'surplus value'; not the portion of means of production. Under capitalism, rate of profit is calculated in relation to the total capital and add it to the commodity. It conceals the secret of profit. Hence, we have to calculate 'surplus value' in relation to the portion of wages in the New Society.

The surplus value of a given branch reaches the same branch. The price that forms so stands as 'value' instead of 'production price' of the capitalist system.

However, the working day in the New Society consists of two parts just as the working day in the capitalist society consists of two parts.

To a superficial view, this appears as if there is no difference between the capitalist price and the price in the New Society. It appears as if it is merely difference in the names: Whether you say 'add profit to the capital' or 'add wages and the social fund to the means of production'.

Both are one and the same if their 'characteristics' do not change.

Both are not the same if their 'characteristics' vary.

These differences are not simply differences in the names. Here we have to imagine that names have changed only after their characteristics had changed.

Whereas in the capitalist Society, capital plays the role of extracting profit (surplus value). 'Wage' remains simply as minimum maintenance. Surplus value keeps maintaining the non-labouring class.

But in the New society all the characteristics of these factors will change. Here, capital will not play the role of extracting profit. Hence, this profit will not have the name 'profit'. It is 'profit' (also 'rent' and interest') when one person exploits another person's labour. Labour of a person is not his/her profit.

Likewise, means of production, here, do not constitute 'capital'. They become capital only when they play the role of extracting profit. Anything that does not play such an exploitative role is not 'capital'. These are merely 'means of production'.

Thus, here, the very relations of the factors that enter into the 'price' change.

But, 'systems of pricing' appear to be identical and there are no differences between them at both the places because of the unnaturalness present in the price itself!

It is a natural need to calculate the quantities of 'means of production' and the quantities of 'specific labours' necessary for a given quantity of

'production' to be undertaken. But, it is unnatural to count the 'total labour' spent on a given quantity of production once it is ready.

The 'unnaturalness' is involved in the very calculation of the 'price'.

To calculate the 'total labour', we have to add 'certain factors' in the New Society also, just as we add 'certain factors' in the capitalist system. However different those factors might be different here (in the New Society) and there (in the capitalist society), those differences do not count. Only the system of 'adding everything' counts. Hence, it appears as if the same thing is happening both here and there.

But if we realise the fact that we should not understand things superficially and we should understand the real character of the things, then we will clearly come to know that relations between the constituent parts of the 'price in the New Society' have changed, however unnatural the category of 'price' may be. Then there would be no scope for the question-"Both are identical, what is the difference"? We will know that both are not the same.

However, for the sake of example, let us suppose that even in the New Society, the price is fixed in the 'capitalist market' method only. That is, by way of adding 'general rate of profit' to the capital. If it happens so, then it means that this New Society still holds wrong notion of 'value' and its working class has not yet learnt anything.

If the New Society has not changed atleast the terms 'capital' and 'profit', it means that the working class is still in a condition where it cannot express its anger on 'capital' and 'profit'.

In part 1 of volume 2, in the section entitled 'the New mode of production is not spiral but circular', we observed that 'it is not necessary for any individual to do extra labour after the New Society develops adequately". There is no contraction between that observation and what we say here.

Under capitalism, 'Expanded Reproduction process' alone will be present invariable. There, some part of surplus value is bound to convert into 'new capital'.

But, in the New Society, there would not be a situation whereby surplus value is bound to convert into new means of production. Here, the society can use products comfortably even in 'Simple Reproduction'.

Let us now present some details concerning the capitalistic price and the price in the New Society by way of a table.

**'Value' (or 'price') in Simple Reproduction**

| Sl No. | Under 'capitalism' | Under the 'New System' |
|---|---|---|
| 1. | Cost-price = **c+v**<br>Value = **c+v+s**<br>Greater value comes with lesser value. | Cost-price = **c+v+sf**<br>Value = **c+v+sf**<br>This **sf** is regular social fund. Whatever is spent, the same thing returns. |
| 2. | Value is greater than the cost-price.<br>Surplus value goes to the non-labouring class. | Cost-price and value are equal.<br>Surplus value is absent. |
| 3. | Labourers give **v+s** and use only **v** for their maintenance. | Producers give **v+sf** and use these two for their maintenance.<br>**v** for family needs,<br>**sf** for social responsibility. |
| 4. | Out of **v+s**<br>**v**= Labour that is reproduced.<br>**s**= New labour. | Out of **v+sf**, both are labour that is reproduced.<br>There would not be new labour. |
| 5. | Price-fixing system; Adding some extra value (**s**) to the cost price (**c+v**) in the name of adding 'profit'.<br>Price is greater than the cost-price. | The same is 'cost-price' and the same is 'price'.<br>That is, cost-price itself is price. |

**'Value' (or 'price') in the Expanded Reproduction:**

| | | |
|---|---|---|
| 1. | Cost-price = **c+v**<br>Value = **c+v+s**<br>Greater value with less value. | Cost-price = **c+v+$sf_1$**<br>Value = **c+v+$sf_1$+$sf_2$**<br>Greater value with less value. |
| 2. | Out of **v+s**,<br>**v** =Labour that is reproduced.<br>**s** =New labour | Out of **v+$sf_1$+$sf_2$**<br>**v+$sf_1$** = Labour that is reproduced.<br>**$sf_2$** =New labour<br>**$sf_1$** =Regular Social Fund<br>**$sf_2$** =Surplus Social Fund |
| 3. | 'Surplus Value' is present.<br>This goes to the non-labouring class. | 'Surplus value' is present.<br>But, this is also for the needs of the producers.<br>Producers cannot discharge their social responsibilities if there is no **$sf_1$**.<br>They cannot increase means of production if there is no **$sf_2$**. |
| 4. | Price-fixing system: Adding some extra value (**s**) to the cost-price (**c+v**) in the name of adding 'profit'. | Price-fixing system: Adding Surplus Social Fund (**$sf_2$**) to the cost-price (**c+v+$sf_1$**). |
| 5. | The capitalist price stands as 'production price' that fetches equal rate of profit to the capitals of all the branches.<br>Surplus value produced in a given branch does not enter into the price of that branch. | The price in the New Society does not form with a view of 'equal rate of profit'. That is, this will stand as 'value' instead of 'production price'. Surplus value produced in a given branch goes into the price of that branch only. |

We can understand the price in the New Society by means of such few details as these.

The division of the working day in the New Society into two parts will always be there: whether it is 'Simple Reproduction' or 'Expanded Reproduction'. That is, whether 'surplus labour' is absent or present. This is the case not only in the beginning of the New Society but for ever!

Even if we abolish the system of 'wages', these remains always the distinction within the 'fruit of labour' of the producers: the portion used for personal consumption and the portion used for societal needs.

In the exploitative society, when we change the exploitative division of labour and eliminate the 'wage labour', there will no longer be a reference to the value calculations. Then, fixing of prices to the products will not be there. We will need to plan production among different branches in terms of calculations of 'use-value'.

All these are the problems that we come across in the course of building a New Society.

Just as the New Society is not a readymade one, the economic laws too are not readymade. Basing on the principles concerning 'value', implementing them with an anti-exploitation objective and drawing lessons from it, we need to proceed forward. As we distance ourselves from the capitalist competition and market practices, the New economic principles will develop.

## 3) Abolition of 'ownership'/masterhood

When the working class abolishes the private property right over the means of production, workers need not beg any master for jobs. Thus abolition of ownership begins with that act. This abolition will be complete when the working class itself is able to organise means of production over which there is no private property right!

Though there is no private property right, 'labour of organisation' will be necessary as before. But labour of control/domination /exploitation will become unnecessary. Methods whereby workers themselves form into teams and do the labour of organisation at the 'work place' should be evolved. Each team will keep changing its duties periodically from

one set of duties to another: other kinds of labour for a certain period of time, labour of organising for a certain period of time. All the teams act on their own responsibility and self-discipline and follow the instructions of the 'teams of organisation'. They discuss and decide all the issues connected with the production process and circulation process. This method of organisation abolishes 'ownership' at the work-place.

Further, this system abolishes 'alienation' that exist between the means of production and labourers in the previous societies.

Suppose supervisors and managers emerge in the New Society also and exercise domination over the workers. Let us say that the workers will not have any role either in the labour of organisation or decision-making. Suppose, the workers simply do their work and receive wages. If things simply go on like this, it means that 'production relations' have not at all changes in the New Society. This kind of situation will not abolish either ownership or alienation. It changes its forms only.

## 4) Abolition of capitalist division of labour

This is a point, which we have discussed before, in greater detail. According to the capitalist division of labour, an individual is tied down to a single labour.

Society always needs manual labours and mental labours. All those labours are always indispensable.

However, while a person who does 'manual labour' gets low income, the person who does 'mental labour' gets high income. It happens so because of the difference in the values of those labours.

If we assume that all persons get value of their respective labour, even then 'inequality' among those persons continues. This is the 'inequality' connected with 'value'.

If we look from a 'use-value' perspective, inequality will always exist between a person who always does manual labour and a person who always does mental labour.

The way out to eliminate these inequalities is that every individual should do some manual labours and some mental labours.

Then equality will emerge in the aspect of 'value' as well as in the aspect of 'use-value'.

In the capitalist society, wages in the State-run enterprises will be at least of 40 to 50 grades. Wages in the private enterprises will still be of many grades. Which means 'values of labours' are so divergent.

(We know before that the value of 1 hour mental labour and 1 hour manual labour will not be equal. This means, values of different kinds of labour will be different. It is because, costs involved in learning those labours are different).

Since, the values of labour-power of the producers who do different kinds of labour are different, their wages too will be different. But, as there is a rational basis for the differences among wages, it does not mean that those differences, however wide they may be, are justified. The capitalist class creates many differences in wages with a view to splitting the working class into many pieces.

Hence, the New Society, should not allow all these distinctions as they are in so many grades.

We may classify all the mental labours into three types: high level, medium level and low level.

Likewise, we may classify all the manual labours into three types.

It follows that wages in the society will be of 6 types only. The New Society can accomplish this change of reducing the gaps in wages at the earliest possible.

After some period of time, we can reduce these differences into 4 types.

All labours in a given group will have the same value.

Every person (man or woman) in society has to do one labour from each group.

They have to do 4 labours from 4 groups.

(In the section on "The problem of inequality will not be solved even if all persons do labour", of the chapter "value of labour power" in part 2 of volume 1, we have discussed all these issues in greater detail. We have to combine those points with the present points and understand the issue under discussion).

We can improve the changes in this 'New Division of Labour'. A person who does one particular labour belonging to a particular group can completely abandon that labour after some period of time and can learn another labour from the same group. Whatever labour one may do from a given group, the values of all those labours are equal. Thus, it is not an impossible thing to change labours. Even if people do not learn more than one labour from a particular group, it is obligatory to learn one labour from each group. When this happens, labours of all persons will become equal in terms of 'value'. Every person will be equal to others in terms of 'use-value' as well.

Manual labours as well as mental labours will continue to exist in the society as before. They will neither vanish nor merge with one another.

Only human beings merge. They merge in such way that there would not be such distinctions as 'manual labourers' and 'mental labourers'.

Suppose a person is doing the work of a doctor, teacher, tailor and painter as well. Then, shall we refer to him thus: "He is a doctor". It is not possible to refer like that because he would be a doctor only if he is doing the work of a doctor alone. But, since he does other kinds of work also, he is not simply a doctor. But we can call him 'doctor' because he also does the work of a doctor.

Similarly, that person is also a teacher, also a tailor, and also a painter. But, that person will not be connected with only one work. A person, however great artist he may be, it is not possible for him to say thus, "I perform that art only". He has to do other kinds of labour along with that art.

Owing to the performance of different kinds of labour by the same individual, hierarchy in the work-place will disappear.

This change is 'New division of labour' that eliminates the capitalist division of labour. Only such a system makes human beings 'equal'.

'Equality' is not something connected with the physical features, weights and heights of human beings. No one would argue for such an equality.

This equality is connected with the social rights and duties. All human beings should have equal rights and equal duties. The New Society should follow the path that leads to this kind of equality.

There will inevitably be some differences among humans with reference to their intelligence, capacity and ability. Those differences in the New Society, however, will not be as wide as they are in the 'old division of labour'.

Let us suppose that in the past **A** was a person doing manual labour and **B** was a person doing mental labour. If we compare their intelligence, the difference is incomparably very wide. Does this mean that **A** is a stupid and **B** is an intelligent person? No. **A** is like a stupid because he is not situated in such conditions, which made **B** an intelligent person. We have to create identical conditions for both the persons and then compare them.

Suppose **A** too had the same conditions which **B** had right from the childhood. If we then compare their intelligence, the gap, which we observed in the previous example, will now becomes reduced unimaginably. Then, it may also be proved that both are equals; Or, it may be proved that "the intelligence of **A** is less only a little compared to that of **B**"; Or, it may be proved that **A** is intelligent compared to **B**. Any of these things may be proved.

This means, when we replace the old division of labour by the New division of labour, gaps in the intelligence of human beings will become reduced to a very large extent!

Yet, let us say, there will be some gaps even then.

When we speak of 'gaps', it does not mean that the erstwhile mental labourers are always intelligent. It also does not mean that erstwhile manual labourers will be stupid, however much their conditions changed, and the gap would always remain like that. When equal conditions are formed for all persons, **A** himself might become intelligent compared to **B**.

A person might possess more intelligence than the other. He would not get special rights on account of to that intelligence. Similarly, the duties which that person has to discharge will decrease.

Any person should use his/her natural abilities in labour. Even the people with 'more intelligence' too do the some thing. The 'remuneration' that the person gets in return to that 'more' intelligence will be not in the

form of 'money' but in the form of recognition of the 'merit' of that person. Recognition does not mean awards, titles and felicitations.

If a change does not occur in the 'bourgeois division of labour', children of mental labourers will again become mental labourers, children of the manual labourers will again become manual labourers and the old division of labour will 'reproduce' as before.

If we give training to children right from the childhood in manual and mental labour, they will learn all labours uniformly. If adults too receive proper training, they will also learn different kinds of labour, even if it is late.

People should initiate this change in the division of labour in their respective work-places. There will be many kinds of labour in the 'work-place' itself. It is much easier for the mental labourers to come into manual labours than coming of the manual labourers into mental labour.

The two categories of people can offer mutual training.

Thus, 'new kind of labourers', who can do different kinds of labour, will emerge in the New Society in a very short period of time.

Therefore, while building the New Society, the very first change will be dragging the non-labouring class into labour. Making mental labourers do the manual labour as well and making manual labourers do the mental labour as well constitute the second change.

When the non-labouring class enters into labour, it would not come into manual labour in the beginning itself. It first comes into mental labour only and tries to settle down there itself. But it would have stubborn opposition if it has to come into manual labour.

Likewise, if we take a mental labourer, he would cooperate properly in the struggle of dragging the non-labouring class into labour. But he would react obstinately when he is expected to do manual labour too. Then what happens is this: the class that has newly entered into labour and the class that has been doing mental labour since the past will together try to retain the same 'old division of labour' only. If the old division of labour remains as before, the class of manual labourers has to eternally remain in the old conditions of existence. It will not have any such features as progress, intellectualism or equality.

It means that again two classes have emerged in those conditions: one class which wants to retain the old division of labour and another class which wants to change.

Then the struggle will be between those two classes.

Then the class of manual labourers itself will become a 'revolutionary' class because it fights for its emancipation.

The term communist society itself will become meaningless if we do not change the capitalist division of labour. There would not be any scope for that society to attain 'equality'.

## 5) Abolition of contradiction between 'town' and 'country'

'Country' refers to agricultural area. 'Town' refers to industrial area. Surplus value keeps flowing from the agriculture sector to the industrial castor. This happens because industrial prices are higher than the agricultural prices. Therefore, a 'price-reform' will become necessary in the beginning whereby industrial prices are lowered and agricultural prices are raised.

Owing to the concentration of industries in towns, there arise such problems as migration of a large part of the population to the towns and housing problem. Hence, industries should be established gradually near agricultural areas. This will enable the population to spread over across the land (earth). Moreover, a way will be paved whereby an individual person can do agricultural labour for some period of time and industrial labour does some period of time. (All the agricultural labours are manual labours only).

(We have seen these aspects to some extent in the chapter 'Expansion of capital' in part 1 of volume2. We have to understand the whole issue by combining what we had talked without there and what we discuss here).

The New Society has to remove negative features of the 'countryside' and provide amenities that facilitate intellectual development and conditions favourable to all kinds of labour. Likewise, the society has to remove the negative features of the 'town' and establish the positive features of the countryside in the towns.

The society has to equalise the form and the character of 'town' and the 'countryside' in such a way that it eliminates the distinction which says: 'this is countryside!' 'This is town!'

## 6) Abolition of 'inequality' between men and women

As all the human beings in the ancient times were 'equal', men and women too were 'equal'.

'Male domination' began due to 'exploitative property system' only (we cannot examine the entire history here).

In the exploitative society, only 'patriarchy' (rule of the father) got established. In the family, man is the master and official over women and children. Which means, the relation between wife and husband is the relation between the 'master' and the 'servant'. There are no conditions of equality between men and women in the capitalist society. There are no equal rights in many matters. Except as the wife of a particular man there is no scope in the law to recognise woman as an independent person. The mother will not have equal rights over the children along with the father.

The same is the case with men and women of the two classes.

Men and women are not directly 'classes'. Here there is no such division as 'women are one class' and 'men are another class'.

'Class' is the relation that exists between the owner who gives 'work' and the labourers who do the 'work'. Which means, it is a relation of 'exploitation of labour'. The relation between men and women is not such a 'class' relation. It is a social relation, which is not a class relation. Or, it is a family relation. This 'unequal relation', however, is a consequence of 'emergence of classes' in the society. (This is also one of the many results).

Hence, elimination of inequality between men and women is linked with the elimination of exploitative relations.

The beginning stage for the abolition of this 'inequality' is 'all women should come into the outside labour. Apart from the women who are already engaged in the outside labour, women who are 'dedicated' to the houses should also go into the outside labours. When the private right

over means of production is abolished, when lands are distributed among the agricultural population and only when new jobs are created in the factories, only then it is possible for all the women to go into the outside labours. As a result, women will begin to get incomes and attain the capacity for 'self-maintenance'. They will be free from the condition of dependence on men for maintenance.

(We have examined all these aspects in greater detail in the chapter 'Productive Labour and Unproductive Labour' of part 1 of volume 2 while discussing the issue of 'Family Labour'. We have to combine that discussion with the present one and understand things).

Even for those women who live on 'prostitution' due to dire poverty, employment itself will be the beginning stage of their liberation.

Just as men of the capitalist class enter into labour, women of their class too enter. We need not specially say about it.

If women too should come out and do jobs, social organisations, especially those, which take care of the children should emerge.

The next stage involves the change of old division of labour between men and women.

Women should have equal opportunities to participate in any job that men do in the production processes.

At home, all the household chores should be the 'responsibilities' of both men and women. They should discharge with equal responsibility all such household duties as cooking, childcare, care of the aged, house cleaning etc.

Words like 'woman's work' 'man's work' should disappear both at home and outside.

They should have equal rights and duties in law.

One of the aspects of the equal rights of men and women is an equal right in respect of 'identifying' children. We 'identify' a person through a name that includes two aspects, namely, the 'given name' and the 'surname'. In the exploitative societies, children get their name through the father. This means, a child is identified through its father only! The mother will not have a place in this regard. Since both mother and father are responsible for the birth of a child, we have to bring in their identities

into the names of the child in such a way that both the mother and father find a place. We have to follow a path, whatever is right. Thus we have to change all the features which the exploitative society created in the man-woman relationships.

When both men and women attain the capacity for self-maintenance and to maintain the children, their 'co-habitation' will no longer be similar to the 'cohabitation' of the old times. It will become a cohabitation based on the equal labour relationships,. It will be the cohabitation of men and women who are independent and equal. It will change the old character of the 'institution of family'. Which means, the 'family' will exist in the society firmly but its character will become noble.

Along with it, the entire terminology connected with the old life style of men and women also changes.

In this 'transition stage', however, man will cooperate to the extent of some changes only. The working class male, who wants equality with the 'master' will be averse to give up his 'masterhood' in the family. He will act obstinately to give up completely his male-domination for the sake of equality with his wife.

Men who quickly realise the features of the New Society will open their eyes quickly. They will quickly leave the throne of domination. But those who cannot do so will go on clinging and clinging to its edges.

As much struggle is necessary to drag the non-labouring class into labour, as much struggle is necessary to drag the class of mental labourers into manual labour, similarly so much struggle is necessary to drag men into the 'work of women' and to get rid of their male domination.

Women will be emancipated completely only when they learn self-respect to fight against the male domination, wherever and whenever it appears.

Just as many wrong solutions arise for any problem, so also various kinds of wrong solutions for the problem of 'male domination'. All those are bourgeois solutions.

A solution for the sake of women who dedicated their life to their 'home' argues thus: "As the wife does all the household chores, the husband should pay 'wage' to the wife. He has to calculate and pay wage for cooking, childcare and every other work. Or, the Government should

pay wages to the housewives"—These are solutions, which the bourgeois feminists discovered.

We have already discussed what the answers are to these wrong arguments.

Both wife and husband are responsible for the family.

Out of the work that woman does for the 'family', half of it is anyway the responsibility of the woman. Further, it is the full responsibility of woman to maintain herself and half responsibility to maintain children. When woman cannot discharge her responsibility, man will undertake it. This means the expenditure connected with the maintenance of the woman and the expenditure, which the mother has to share in respect of the children come from the income of the 'man'. (Man does that 'labour' outside). As man is undertaking the responsibility which woman is expected to do in respect of maintenance, woman is obliged to undertake the responsibility which man is expected to do in respect of 'housework'. This is a division of labour, which says, 'housework for woman, outside work for man'. The solution for this problem is: 'housework to both! Outside work to both!' Then both will discharge the responsibility of maintenance as well as housework.

If both man and woman have conditions of equality whereby both of them receive education and learn labour-powers right from the beginning, woman too would attain the capacity to 'maintain herself' like man.

Whatever is the solution between two men, the same is the solution between men and women. Such a solution does not appear to the bourgeois view because the solution of 'equality' between two men also does not appear to it.

We have already seen earlier how meaningless it is to pay wages to housewives. To say 'wage for the housewife' means 'to confine women to housework only'. It means to save men from doing the housework! This means that a housewife remains a housewife. For woman, always housework! For man, always outside work! Both will never become equal! This is the struggle of the bourgeois feminist fighters for equality.

The 'rejection' of these fighters against 'male domination' will be in many more ways: women should not have 'cohabitation' with men, but they can have 'physical relationships'.

They can have 'voluptuous relation' with a fellow with whom it is objectionable to live!

It is needless to say what they mean by 'temporary physical relations without a cohabitation'.

Beginning from the old societies till today, there have not been any restrictions on men in respect of their physical relations with women.

There is, however, a division among women into 'family ladies' and 'prostitutes'.

As men should lead a life style without any restrictions, there ought to be a separate branch of prostitutes among women. Hence, it will continue until the bourgeois society.

The correct solution to this problem involves: formation of cohabitation of men and women only through 'love', stability of that relation as a relation of 'one woman and one man', voluntary acceptance of this relation by men as well, disappearance of prostitution among women and so on.(We have discussed these issues before)

If we view matters from the perspective of 'class struggle', bourgeois women also play the similar role as bourgeois men do.

Bourgeois women do not wish 'real equality' between men and women because they want bourgeois way of life in every aspect of life.

Hence, the New Society should think sensibly with regard to wrong solutions that arise everywhere from a bourgeois perspective in respect of 'man-woman relations'.

In respect of any problem, it (the New Society) should have a rational outlook appropriate to human relations.

## 7) Abolition of 'night work'

We have already discussed earlier this in greater detail. (In the chapter on 'Working Day' in part 2 of volume 1). Suppose all persons in the society are doing labour and every person is doing both manual and mental labours in accordance with the New Society. But, let us say, they retained the 'night shift' like that. This means the New Society has still remained in the capitalist unnaturalness.

The person who does work in the 'night' does not do work in the 'day'.

Sleeping during the day time and working in the nights is an upside down activity in the human life.

We have to change 'the upside down activity of sleeping during the daytime and working in the nights' into a natural activity of 'working during the day time and sleeping in the nights'!

If we do so, it amounts to elimination of an ugly feature that has been going on in the society since a long time with capitalist profit motive.

Certain kinds of birds, animals go on hunting during the nights and sleep during the day time. It is natural for them.

It is unnatural and unhealthy for human life.

Night is essential for human beings for rest, sleep and family life.

The point of discussion is 'how to abolish night work and what are the branches from which we have to begin to abolish it'. The point of discussion, however, is not 'whether night work should be abolished or not'.

It is obligatory to abolish 'night work'.

It is obligatory to remove that unnaturalness from human life.

Except in such emergency branches like hospitals, we have to go on abolishing night work in all the branches.

Immediately after the new society begins, we have to first abolish the system of watchmen whereby watchmen stand in front of the houses and factories of the capitalists. We should have a Special Act for this. If there are rich persons even in the New Society, who are upset with the fear of 'thieves', they themselves will watch their houses if they want. The New Society should not tolerate even for a single day the system of watchmen whereby labourers of 'security' stand waiting in front of the houses of the rich people. The society has to provide other jobs for all the security workers (watchmen). The society should begin with the abolition of 'watchmen-system' and gradually extend the abolition of 'night work'.

If the society does not abolish night work, it is still not a society that gives new life. It is still not a society based on natural properties. It is

still not a society with the 'use-value' perspective. Thus, it is not yet a 'New' society.

## 8) Abolition of religion and caste

***(1) About Religion:***

'Religion' is something connected with the belief in 'God'. When 'god' himself is an 'unscientific' concept, religion too is 'unscientific'.

All the exploitative societies made use of religion to keep the labouring classes in ignorance.

In the bourgeois society, a special department functions to sustain religious ignorance. Huge land will be in the hands of few people in the name of temples, churches and other religious institutions. The bourgeois law permits building of temples wherever one wants, organising religious institutions and procuring properties by cheating people through the costumes and make-up of a 'god'.

The New Society should abolish all these activities that go on in the name of 'religion.

The society that eliminates exploitation should liberate the labouring class from the religious ignorance also. Liberation from the religious ignorance depends on the correctness of the path in which exploitative relations are eliminated.

'Religious beliefs' should exist only as personal beliefs. Observance of religion is part of the freedom of the individual. There need not be orders or sanctions against that 'freedom'.

But, the same individual should be able to give up religion without anybody's compulsion. He/she should be able to come out of the religious ignorance.

The New Society should follow the path that develops the 'individual'.

***(2) About caste:***

The 'lower' castes do not possess means of production.

Only the 'upper' castes possess them. Even among these, only few people possess them.

The majority population of the lower castes do the low-level manual labour.

The majority population of the upper castes who do labour are engaged in the high-level manual labour and mental labour.

Hence, the problem of 'castes' in this kind of society should be solved by such changes as: abolition of private right of the upper castes over the means of production and change in the 'old division of labour'.

As a result of abolition of private right over the means of production, the conditions whereby upper caste people stand as masters over low caste people will be abolished. The non-labouring upper cast population too will enter into labour.

Later, owing to the abolition of the 'old division of labour', upper castes will come into manual labour and lower castes will come into mental labour.

Take any of these changes, it is a class struggle.

To say that landless lower castes require land is a class struggle.

To say that lower castes, who always do manual labour, should come into mental labour is also a class struggle.

The basis for caste distinctions are class distinctions.

**Therefore, disappearance of castes depend on the class struggle only.**

The lower castes, which perform manual labour, are revolutionary sections of the labourers compared to the upper castes, which perform mental labour.

If we do not grasp the class struggle, there would not be any programme that can eliminate castes. If class struggle is absent, the lower castes will always have to remain as servants of the 'masters' who possess means of production and will have to remain in manual labour.

## 9) Abolition of 'exploitative culture'

The exploiting class does not do labour. It does not do labour either at home or outside. It throws the work of 'holding' its own babies on to the domestic servants.

But, even the non-labouring class too has to spend its time.

It too will have 24 hours per day.

If they want to spend 24 hours daily without doing labour, they cannot all the time sit on the chairs or lie-down on the cots. To kill their time without doing labour, there have to be 'luxurious ways'. Gambling, addiction, hunting, excursions, passing time with intoxicants, passing time with dogs and foxes (these fellows throw their own kids onto the domestic servants and carry dogs and fondle them), competitions with animals, competitions with humans, flower competitions, babies competitions, beauty contests, competitions with vegetables, contests with garments, contests without garment, meaningless discourses on 'human soul and superhuman soul' in the name of 'spirituality', killing time in the newer and newer temples and religious functions—thus, the non-labouring class creates wasteful, and ugly pastimes for itself. For this, it spends lavishly the mass of surplus value, which it extracted from the working class. It occupies the largest part of the 'land' for the sake of gambling dens, venues of competition, luxury mansions and excursion spots and so on.

All these pastimes on the other hand, will flourish as gigantic businesses.

All this filth will go on increasing in the capitalist society many times more, compared to the past societies. It is because the mass of surplus value, which the capitalist class gets, will be at a very huge level compared to the past societies.

A person who himself does labour cannot spend lavishly on luxuries. It is because, a labouring person can do only so much labour in a day as much as one single person can do. After deducting natural needs from that 'labour', the portion that remains for luxurious pastimes will not be at an unlimited scale. This applies to every person. Hence, labouring persons will not have an opportunity for an unlimited luxurious life. If it is a person who exploits others' labour, he would not have all these limitations: except the limit of the amount that person could grab from the social surplus value.

That is why, if we consider the entire society, the amount which the exploiting class spends on luxuries will be at an unimaginable level.

The life style of the exploiting class itself is exploitative culture. It is filled with unnaturalness and additions.

It is necessary for the exploiting classes to keep the labouring class in various 'vice habits' just as they keep them in religious ignorance. For this purpose also, the exploiting society keeps creating different vice-habits. All these vices are part of the exploiting culture.

Only when we drag the exploiting class into labour, abolition of its culture begins. Later, it also changes in such a way that it uses time rationally.

In the course of the struggle against the exploiting culture, the New Society has to eliminate certain things at once. It has to modify certain other things. It may take more time to eliminate certain things.

For example, horse-races, sports competitions, other competitions, magazines and films of crime and sex, tobacco, intoxicating drinks and such other products and activities connected with gambling and vices.

The New Society has to divert radio, television, cinema education and such other institutions from the path of exploitative business culture and use them to give real 'social knowledge'.

It may take time somewhat longer time to eliminate weapons like guns.

Thus, exploiting culture has to vanish gradually.

But, let us say, the 'New Society' too will continue old timed gambling and luxuries like horse-races. It means, the New Society is wasting its labour on 'faulty needs' which it learnt from the exploitative societies, instead of properly using for natural needs! It means that it is spending its time with a view of 'good luck' and 'bad luck' and is trying to earn money through gambling!

Therefore, in order to spend its leisure time, the New Society has to choose such ways and means, which are natural and rational.

In the New Society, the exploitative culture has to gradually vanish and a new culture has to develop.

## 10) Abolition of trade

The first phase in the abolition of trade begins with the removal of private right over the 'means of production'. As the means of production increasingly changes into a collective character, abolition of trade will also increase.

If a system of distribution of the products by way of ration develops (if the products are sold at their prices), there will be no more bargaining.

When the society is able to abolish the system of wages, buying and selling by means of money will also be abolished.

Total abolition of trade is also dependent on the main changes (such as changing the old division of labour) so far discussed.

When the New Society has the capitalist countries as its neighbors, relations of 'use-value' between it and its neighbors are not possible. In such a stage, money calculations will still remain in the foreign relations.

The New Society, right from its inception, has to abolish the capitalistic-type of trade advertisements. It has to abolish all the vile forms of selling the commodities by means of lotteries, gifts, etc.

After a series of changes a stage will begin whereby trade is finally abolished.

Abolition of trade means coming into use of all the masses of products, which always remain as still-photographs in the racks of the shops.

Abolition of trade means abolition of all the tricks and shameless actions, which the commercial workers have to exhibit for the sake of sale of commodities.

Abolition of trade means abolition of all kinds of terrible wastage that takes place in production and the labour power.

Abolition of trade means abolition of the shops crowded in the lanes and along the roads and the abolition of bargain and noise of the money.

It means flourishing of all the pavements with green trees, cool breeze and pleasant noises of the birds.

## 11) Abolition of 'wage slavery'; abolition of 'wage system'

Along with the abolition of ownership by means of the removal of the private right over the 'means of production', the abolition of 'wage slavery' too begins. This process will end after many changes.

Suppose all persons in 'society' are doing 'labour' and all persons are doing labour: both manual and mental as per the 'new division of labour'.

Then the labour of every individual will have the same value.

Suppose the value of every person is 100. Out of it, 75 is wage, 25 is the social fund. Suppose the 'labours' of all people and their values are equal. Hence, 'wages' are equal. The 'social' funds are equal.

Equalisation of 'wages' amounts to their abolition. It is the same whether they exist or not.

Now, it amounts to the arrival of the stage in which the society abolishes wage system. Since them, all persons begin to produce and consume without the system of wages.

All this is not possible at the beginning of the New Society only. Which means, it is not possible either to equalise or abolish the wages of two persons while one is doing a labour of greater value and another doing a labour of lower value.

Abolition of labour is possible only when the labours of all persons become equal.

Here also, there is scope for a question. Let us say all persons get the same amount of 'wages'! Yet, if the wages are not abolished and are paid to the people, those persons can spend those wages as they like. A person may spend his/her entire wage. Another person may save some portion of it every month. This person, who wants to save, cannot have the opportunity to save due to the absence of 'wage system', isn't it? - This is the question that might arise.

We should spend products and time neither wastefully nor miserly. This is the first condition. We have to discuss all this with the assumption that such a culture would develop by then.

All persons observe economy and discipline naturally.

How can a person, who economises more than what is naturally possible, use that saved wage? There would not be any right of inheritance. He/she cannot transmit it to children or build temples with it or give it away as charity. Finally, he/she has to give up the entire savings to the society.

Therefore, when every person acts in a responsible manner without wasting anything, he/she would not have the need to save a portion in the 'wage'. He/she will not have any special advantage. The wage appears to be something to be spent in its entirety.

Hence, there will not be any problem whether wage system exists or not.

A definite length of working day (how many hours it may decrease) and the relevant discipline are obligatory even in the 'New Society'.

This definiteness is much more required in the context of 'collectivity' or 'collective living'. However, all persons should develop this social discipline and self-responsibility just as all persons give up 'religion' without compulsion and turn into rationalists. Every person is obliged to observe the rules of the society that will be in accordance with the 'collective spirit'.

The question of differences in the abilities and the capabilities of human beings will arise here in its real sense.

The 'working day' is equal to all.

All persons work with a sense of responsibility. Though responsible they all will be, there will be differences in their work.

However, those persons are not responsible for such differences. The differences in the abilities and capacities are natural.

Just as abilities and capacities in doing labour vary to some extent, the needs of the persons with regard to the consumption of products will also vary to some extent.

The differences in the 'needs' will be as follows:

While a thin person needs less cloth, a stout person needs more cloth. Whether it is less cloth or more cloth, what they get is one shirt only. The stout person, who took more cloth, will not get more gain. But, if we see this in terms of money calculations, the stout person has to spend more money from his 'wage' on clothing. Since the thin person need not buy more cloth, he will thus save some money. Is it right if the thin person of the New Society argue from the money perspective thus, "The stout person has taken more cloth than I took, hasn't he? Had we received the fruits of our labour in terms of money, wouldn't I have saved

some money? The calculation shows that the stout person could get more production since we received products instead of money." No. He cannot argue like this. Thinness and stoutness are natural distinctions. The individual persons are not responsible for these distinctions. There is scope for arguments and counter arguments only in such matters in which the individual persons are responsible. If we do not understand this fact, it means that we have not understood the 'naturalness'. It is the capitalist view to look at the natural distinctions in terms of money. What if this thin person were stout? What if this thin person becomes stout after some period of time? Then, this person too will need more cloth, won't he? Should any one raise any objection to that? That is why his argument is wrong.

Another example: many medicines and medical labours have to be spent on a person who is unhealthy. Moreover, this person should not do any work. No medical expenditure is incurred on a person who is not unhealthy. That person has to continue to do the work.

Looking at all the money spent on the person who is unhealthy, the healthy persons cannot argue thus, "We too need all this money (these expenses). We will use them in another form."

All these expenses will have to be incurred also in the case of the healthy people also in case they become unhealthy.

Here, the rational principle concerning all aspects is 'work according to the ability' and 'consumption according to the need'! This is the highest stage of human relations, human refinement and human consciousness! It is a stage where all such noble features as social responsibility, self-discipline and sincerity will fully blossom in every human being!

## 12) Abolition of 'money' or 'value'

Whether we call it 'money' or 'value', it means the same.

**Value means 'labour'.**

But, abolition of value does not mean abolition of labour. There will never be any society without labour.

**'Value' does not mean 'concrete labour'; it is 'abstract labour'.**

Simply because of 'exchanges', we need to calculate all the concrete labours in terms of abstract labour.

**'Abolition of value' means abolition of 'abstract labour'. That is, abolition of 'exchanges'.**

Abolition of value implies that the entire planning in the society has to be done in terms of calculation of use-values. Such a calculation consists of means of production, the producers and their natural wants.

When we remove the 'private right' over the means of production at the beginning of the New Society, most part of 'money circulation' will be abolished. All the exchanges in the State-run enterprises and collectively-run enterprises will be settled by means of calculations in the accounts. But, this does not amount to 'dispensing with money'.

Dispensing with value calculations is possible when the value of the labour of the producers become equal! That is, when the exploitative division of labour changes into exploitation-less division of labour!

Abolition of value does not mean stopping to do labour; but all persons doing equal labour.

Equal labour will have equal value.

When we compare equal values, they amount to non-existent.

When we create such a situation, their calculations will no longer be necessary. Then it is possible to dispense with money.

What do people do with money? They buy products.

Why do we need money if we can use without money all the products, which we buy with money daily.

Money is a wasteful expenditure for the society. Yet, society needed its role historically for some period of time. But it is not a natural need; not an eternal need.

Continued existence of 'money' in the New Society indicates a situation where money calculations are still necessary! That is, it indicates a situation wherein social relations are still 'unequal'.

If equal relations are real, money calculations are unnecessary. That is, money is unnecessary.

In the New Society, the conditions whereby producers do equal labours develop gradually and those conditions should become a natural part of life and established.

Then, 'value' calculations will become redundant.

Only natural relations that include 'use value calculations' will continue to exist.

## 13) Abolition of the 'state'! Abolition of 'classes'!

For what purpose did the 'State' begin? It began to enable the exploiting class to suppress the labouring class.

The 'beginning of classes' itself is the beginning of the 'State'. Therefore, the 'ending' of classes' itself is the ending of the State!

The working class State begins when the 'New Society' begins. It will have all the wings of the government. This State will be in the form of 'Dictatorship of the Proletariat'.

This 'dictatorship' is not something meant to exploit another class. This dictatorship is necessary for the working class to liberate itself from exploitation.

The working class uses this dictatorship legally and socially abolish the private right over the means of production, to drag into labour the class which until then has been living on exploitation.

The class that is addicted to exploitation until then, though it gave up its property rights and obliged to enter into labour, will be ready to turn the New Society backwards. Hence, the working class, for the sake of self-protection has to impose certain restrictions on the exploiting class, though it enters into labour. (for example, if some persons would like to form an organisation with a view 'to reviving the system of capitalist private property', the working class government will not permit).

All this constitutes 'dictatorship of the proletariat'.

This will be a revolutionary path to get liberated from exploitation.

As all the changes in the New Society proceed with a correct revolutionary consciousness; as the hitherto exploiting class too gives up its old character and attains the character of the labouring class due to its participation in labour; and when its conspiracies, frauds, counter-revolutionary activities go on decreasing, the restrictions by the proletarian dictatorship too will decrease.

As class distinctions themselves gradually fade out, the need for a class to have self-protection will also fade out.

The courts, the jails, the police, the military and the government will gradually disappear when there would not be any need for them!

The 'State' will naturally wither away.

The end of 'value' calculations itself is the end of 'classes'!

The end of classes itself is the end of the 'State'!

Not only the aspects, which we discussed here, but also many other aspects such as: reactionary, counter-revolutionary and opposed to equality, will have to be abolished. Which means, features of exploitation in all the spheres of economy, politics and culture will have to be abolished; and ended.

Abolition of all these features proceed with inter- connections and mutual influences.

If the 'beginning stage' proceeds in the right direction, it will lead to many stages.

Suppose production process and distribution process (production relations and distribution relations) have reached the stage of 'equality'. Let us say the character of the society has changed in such a way that there are no contradictions.

Next what changes should follow?

No change need to occur any longer in the 'character' of the society.

If a change occurs again in the aspect of 'equality', it will again become 'inequality'.

Therefore, after the formation of 'equality', that 'character' should remain as it is. The same thing should 'continue'.

Suppose, a 'chronic patient' has attained complete health.

Then, what next? Nothing but to retain that health. Nothing but see that unhealthy features do not recur.

Likewise, we have to see that hurdles do not come in the way of equality in the society, where equality has already been formed. Then, that itself constitutes 'social responsibility'. "Why do features of inequality

recur in a society where classes, contradictions and conflicting interests have vanished?"—If we come across this question, the answer is: "it is good if it does not recur. All of us should expect that it should not recur. But, even if a slight contradiction arises in the implementation of the 'New Division of labour', it would inevitably lead to some sort of inequality. Then we have to rectify it again. Whenever a contradiction arises in any aspect of 'equality', we have to realise it and eliminate it at once. This is also one kind of class struggle. This (the class struggle in a given stage) may be totally unnecessary on some occasions. It may also be necessary on some occasions.

We consider the society of a higher level, even then it would not be like a solid crystal. It keeps changing. However, that change will not be such that it would not alter drastically the 'character' of the society. It keeps changing only the 'form' to some extent.

The same character (whether it is good or bad) can be in different forms.

But, the forms of the bad character and forms of the good character are not identical.

If we consider the New Society, from its beginning to the highest stage when total equality is formed, it is the 'socialist society' that continues upto the 'abolition' of value. This is a 'transition stage'.

That which continues after the 'abolition of value' is the 'communist society'! This is the stage that comes after the 'transition stage'! It is the 'highest stage'!

But, we will be calling the New Society 'Socialist Society' and 'Communist Society' right from its beginning. It is because, beginning is the same either for the socialist society or the communist society.

We will have 'socialist Economics' in the 'socialist society' and 'communist Economics' in the 'communist society'.

'Economic science' is not a science that exists only when money exists. Processes of production and circulation exist during the presence as well as absence of money. Economics is the science which elaborate those processes. Therefore, Economics exists even when there are no money calculations.

'Socialist economic science' will still include money calculations.

'Communist economic science' will organise the processes of production and distribution in terms of calculations of 'use-values' without reference to the money calculations. By then, that kind of economic science and its principles will have developed.

If we draw a picture of this entire process of evolution in the form of a very long path and if you ask where we are along that path, we are still in the 'capitalist society'.

This society will change only if we change it. This society will remain as it is if we do not change it.

While changing the society, let us say, we have to change 10 aspects in all. If we change only 2 aspects out of them and do not change the rest, the old ones will remain as before. The two aspects in which a change has begun will again come back to the original state. All of them together keep the old society as before.

So far we have seen the 'New Society' at the level of theory; simply at the 'level theory'!

We have to bring it into 'practice'! Into 'reality'! What should happen to do that? A long-drawn class struggle has to be waged!

It would be the New Society only if this entire struggle takes place.

It will not be the New Society immediately after making laws abolishing private right over the means of production.

What if the old owners change their form and turn into new officials over lands and factories over which there are no private rights?

What if some persons do not observe the main principle 'all should do labour', a principle which is most essential to eliminate exploitation of labour? What if there arises a new exploiting class, which appropriates some part of the 'social fund' that exists in the New society also and which the new class does not spend properly on societal needs? What if we do not develop certain methods whereby such things are not possible?

What if there is no role of the workers at all in the 'working class government' and the 'working class party'?

What if the 'New Society' too competes with the capitalist countries and run its economic affairs according to 'profit rate' method?

Thus, there is scope for the appearance of the same old society and the same exploitative relations in each stage.

The production relations and the distributions are historical relations. It is possible for the relations to change their forms in accordance with the respective historical periods without a change in their character. This, we have seen before. Likewise, even here, the character of those relations might change into another form without a change in their character. Which means, many mistakes might occur even here while outwardly it exists in the name of 'New Society'. That is, it may continue facilitating exploitation. Such a danger is present in every change.

When we say that "Things will be like this or like that in the New society; this change occurs there and that change occurs there", it does not mean that all these changes take place as naturally as day follows the night, without any human intervention.

All those changes take place only if 'class struggle' takes place.

If the society creates such conditions whereby all human beings can live in equal labour relations (with equal rights and equal responsibility), then it will be 'New Society'. The communist society is not a utopia which good persons imagine in their dreams. It is the result of class struggle. This means, if the struggle is waged with a correct perspective, equal labour relations are bound to form. This alone is the goal of the class struggle. However, if that struggle gets weakened in a particular stage, all the changes that ought to occur in that stage will also become weak.

If struggle ceases, changes will also cease. The changes so ceased would not remain wherever they stopped because the exploiting class is always ready to pull them backwards. The ceased changes may even travel backwards from the existing stage. If you ask 'how long', they will go back up to even the slave society again, if there is no fight against the backward movement. The exploiting class has no objection to pull the changes backward to any extent.

Opposition to exploitation, use-value perspective and equality

perspective are the only principles that guide the builders of the New Society through out their struggle path.

This means, Marxism is the guiding principle!

Now, we have to come out once again from the old doubt that arises, afresh again and again. The old doubt, which arises again and again, is this: Is communist society, where there will be no money calculations and which will have simply use-value perspective, really possible?

This doubt arises again and again because we have not seen that society at all.

However correct it may be as a 'theory', the question 'is it possible?' will arise again and again until it becomes true in 'practice' as well.

To this question, only historical knowledge can give the answer.

Could the slaves or slave-masters in the 'slave society' believe if any person said that "slavery will end in future?" Could any body believe then that slaves would change into workers after some period of time, that they would do work only on wages, that they work as per 'time' and would go on strike by stopping work for their demand?

Likewise, could the one time emperors, sitting on thrones with glittering crowns, and the labouring people who served those emperors believe if some told them that 'right to inherit State power will go after some time in future'. Could any body then believe that those rulers would step down their thrones, stand in front of the people for 'votes' and that they would become rulers only if people elected them'?

The whole thing was unbelievable at that time.

Similarly, today, the future changes appear to us as unbelievable and utopian.

But, 'value' is not 'imagination'! The presence of 'surplus value' in it is not 'imagination'. Exploitation is not 'imagination'. All these things are realities!

Therefore, the opening of the eyes by the working class is also not an 'imagination'!

If 'exploitation' is true, the struggle against it is also true!

We are responsible to the 'future' only to the extent of discharging our responsibilities during our life-time. The subsequent responsibilities lie on the subsequent generations. If we discharge our duties they too will discharge their duties. If we follow the path correctly, they too will follow it correctly.

This does not mean that we are not concerned with the future. If we think so, it will close the thoughts about future.

Keeping the future changes as our goal, we have to discharge our duties. The same will lead to the future. That path begins at the slave society and ends at the future communist society.

Here there are 23 quotations from Marx and Engels relating to the New Society.

1. Considering, that against this collective power of the propertied classes the working class cannot act, as a class, except by constituting itself into a political party, distinct from, and opposed to, all old parties formed by the propertied classes;— That this constitution of the working class into a political party is indispensable in order to insure the triumph of the social Revolution and its ultimate end-the abolition of classes. (Collected Works, vol.22, p.427)

2. "...economy of time, along with the planned distribution of labour time among the various branches of production, remains the first economic law on the basis of communal production. It becomes law, there, to an even higher degree. However, this is essentially different from a measurement of exchange values (labour or products) by labour time."(Grundrisse, p.173, Penguin)

3. "In the case of socialised production the money-capital is eliminated. Society distributes labour-power and means of production to the different branches of production. The producers may, for all it matters, receive paper vouchers entitling them to withdraw from the social supplies of consumer goods a quantity corresponding to their labour-time. These vouchers are not money. They do not circulate."(Capital-2, p.362)

4. "...if we strip both wages and surplus-value, both necessary and surplus labour, of their specifically capitalist character, then certainly

there remain not these forms, but merely their rudiments, which are common to all social modes of production."(Capital-3, p.876)

5. "...there is no doubt that the credit system will serve as a powerful lever during the transition from the capitalist mode of production to the mode of production of associated labour; but only as one element in connection with other great organic revolutions of the mode of production itself. On the other hand, the illusions concerning the miraculous power of the credit and banking system, in the socialist sense, arise from a complete lack of familiarity with the capitalist mode of production and the credit system as one of its forms. As soon as the means of production cease being transformed into capital (which also includes the abolition of private property in land), credit as such no longer has any meaning. ...On the other hand, as long as the capitalist mode of production continues to exist, interest-bearing capital, as one of its forms, also continues to exist and constitutes in fact the basis of its credit system."(Capital-3, p.607)

(In other words, as long as credit system exists in society, capitalism will continue in one form or the other)..

6. "...the organisation of the working class as a class by means of the trade unions. And that is a very essential point, for this is the real class organisation of the proletariat, in which it wages its daily struggles with capital, in which it trains itself."(Selected Correspondence, p.275)

7. "...practical socialism consists rather in a correct knowledge of the capitalist mode of production from its various aspects. A working class which knows what's what in this regard will never be in doubt in any case as to which social institutions should be the objects of its main attacks, and in what manner these attacks should be executed."(The Housing Question,p.100)

8. "Political Economy can remain a science only so long as the class-struggle is latent or manifests itself only in isolated and sporadic phenomena."(Capital-1, p.24)

(This means, bourgeois Economics cannot stand as a science if the class struggle takes place openly instead of latently, collectively instead of in isolation and continuously instead of sporadically. In other words, all things , which the bourgeois Economics tells, are wrong, untrue and it

continues to be in currency as long as the working class does not understand it and fight against it. The true face of bourgeois economic laws will be revealed if the working class understands the real things about Economics).

9. "...different kinds of labouring power have different values, or require different quantities of labour for their production, they must fetch different prices in the labour market. To clamour for equal or even equitable retribution on the basis of the wages system is the same as to clamour for freedom on the basis of the slavery system.(Selected works-2, p.56-57)

10. "The commune could not found a new form of class government. In destroying the existing conditions of oppression by transferring all the means of labour to the productive labourer, and thereby compelling every able-bodied individual to work for a living, the only base for class rule and oppression would be removed. But before such a change could be effected a proletarian dictature would become necessary, and the first condition of that was a proletarian army. The working classes would have to conquer the right to emancipate themselves on the battle field. The task of the International was to organise and combine the forces of labour to the coming struggle. (Collected works, Vol.22, p.634)

11. "...the antithesis between town and country will likewise disappear. The running of agriculture and industry by the same people rather than by two different classes is, if only for purely material reasons, a necessary condition of communist association."(Principles of Communism, p.20)

12. "And it is precisely this industrial revolution which has raised the productive power of human labour to such a high level that—for the first time in the history of mankind—the possibility exists, given a rational division of labour among all, of producing not only enough for the plentiful consumption of all members of society and for an abundant reserve fund, but also of leaving each individual sufficient leisure so that what is really worth preserving in historically inherited culture—science, art, forms of intercourse—may not only be preserved but converted from a monopoly of the ruling class into the common property of the whole of society, and may be further developed." (The Housing question, p.26)

13. "At the same time, and quite apart from the general servitude involved in the wages system, the working class ought not to exaggerate to themselves the ultimate working of these everyday struggles. They ought not to forget that they are fighting with effects, but not with the causes of those effects; that they are retarding the downward movement, but not changing its direction; that they are applying palliatives, not curing the malady. They ought, therefore, not to be exclusively absorbed in these unavoidable guerilla fights incessantly springing up from the never-ceasing encroachments of capital or changes of the market. They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the material conditions and the social forms necessary for an economical reconstruction of society. Instead of the conservative motto, "*A fair day's wage for a fair day's work!*" they ought to inscribe on their banner the revolutionary watchword, "Abolition of the wages system!" ...Trades Unions work well as centres of resistance against the encroachments of capital. They fail partially from, an injudicious use of their power. They fail generally from limiting themselves to a guerilla war against the effects of the existing system, instead of simultaneously trying to change it, instead of using their organised forces as a lever for the final emancipation of the working class, that is to say, the ultimate abolition of the wages system.(Selected works-2, pp.75-76)

14. "...these defects are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure of society and its cultural development conditioned thereby. —In a higher phase of communist society, after the enslaving subordination of the individual to the division of labour, and therewith also the antithesis between mental and physical labour, have vanished; after labour has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development, of the individual, and all the springs of co-operative wealth flow more abundantly-only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!"(Critique of the Gotha Programme, p.17)

15. "In any case, with a communist organisation of society, there disappears the subordination of the artist to local and national narrowness, which arises entirely from division of labour, and also the subordination of the individual to some definite art, making him exclusively a painter, sculptor, etc.; the very name amply expresses the narrowness of his professional development and his dependence on division of labour. In a communist society there are no painters but only people who engage in painting among other activities."(The German Ideology, p.417-418)

16. "An oppressed class is the vital condition for every society founded on the antagonism of classes. The emancipation of the oppressed class thus implies necessarily the creation of a new society. ...The condition for the emancipation of the working class is the abolition of every class. ...The working class, in the course of its development, will substitute for the old civil society an association which will exclude classes and their antagonism, and there will be no more political power properly so-called, since political power is precisely the official expression of antagonism in civil society. ...Do not say that social movement excludes political movement. There is never a political movement which is not at the same time social."(The Poverty of Philosophy, p.151-52)

17. "But you Communists would introduce community of women, screams the whole bourgeoisie in chorus. —The bourgeois sees in his wife a mere instrument of production. He hears that the instruments of production are to be exploited in common, and, naturally, can come to no other conclusion than that the lot of being common to all will likewise fall to the women. —He has not even a suspicion that the real point aimed at is to do away with the status of women as mere instruments of production. —For the rest, nothing is more ridiculous than the virtuous indignation of our bourgeois at the community of women which, they pretend, is to be openly and officially established by the Communists. The Communists have no need to introduce community of women; it has existed almost from time immemorial. —Our bourgeois, not content with having the wives and daughters of their proletarians at their disposal, not to speak of common prostitutes, take the greatest pleasure in seducing each other's wives. —Bourgeois marriage is in reality a system of wives in common and thus, at the most, what the Communists might possibly be reproached with, is that they desire to introduce, in substitution for a hypocritically concealed, an openly legalised community of women. For

the rest, it is self-evident that the abolition of the present system of production must bring with it the abolition of the community of women springing from that system, i.e., of prostitution both public and private."(Manifesto of the Communist Party, pp.70-71)

18. "Since monogamy arose from economic causes, will it disappear when these causes disappear? —One might not unjustly answer: far from disappearing, it will only begin to be completely realized. For with the conversion of the means of production into social property, wage labour, the proletariat also disappears, and therewith, also, the necessity for a certain¾statistically calculable—number of women to surrender themselves for money. Prostitution disappears; monogamy, instead of declining, finally becomes a reality —for the men as well. (The Origin of the Family, Private property and the State, pp.75-76)

19. "In proportion as the exploitation of one individual by another is put an end to, the exploitation of one nation by another will also be put an end to. In proportion as the antagonism between classes within the nation vanishes, the hostility of one nation to another will come to an end."(Manifesto of Communist Party, p.72)

20. "When the crude form of the division of labour which is to be found among the Indians and Egyptians calls forth the caste-system in their state and religion, the historian believes that the caste-system is the power which has produced this crude social form." (The German Ideology, p.63)

(This means that the historians are wrongly assuming that the caste system itself brought forth the division of labour, instead of the division of labour itself brought forth the caste system!)

21. "...one of the most vital principles of communism, a principle which distinguishes it from all reactionary socialism, is its empirical view, based on a knowledge of man's nature, that differences of brain and of intellectual ability do not imply any differences whatsoever in the nature of the stomach and of physical needs' therefore the false tenet, based upon existing circumstances, "to each according to his abilities", must be changed, insofar as it relates to enjoyment in its narrower sense, into the tenet, "to each according to his need"; in other words, a different form of activity, of labour, does not justify inequality, confers no privileges in respect of possession and enjoyment."(The German Ideology, p.566)

22. "...the abolition of a state of affairs in which relations become independent of individuals, in which individuality is subservient to chance and the personal relations of individuals are subordinated to general class relations, etc.—that the abolition of this state of affairs is determined in the final analysis by the abolition of division of labour. ...the abolition of private property and of the division of labour is itself the association of individuals on the basis created by modern productive forces and world intercourse."(The German Ideology, pp.465-6).

23. "...the emancipation of the working classes must be conquered by the working classes themselves; that the struggle for the emancipation of the working classes means not a struggle for class privileges and monopolies, but for equal rights and duties, and the abolition of all class-rule"-Marx(Selected works-2, p.19, Moscow 1973).

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Chapter 2

# Marxism: Not only 'Economics', But also 'philosophy'!

Every human being, beginning from the childhood to death, will have some understanding or the other concerning 'Nature' and 'Society'. This understanding comes through the elders in the family or through other relations in the society.

Humans' understanding of 'Nature' and 'Society' began as 'Philosophy'.

That is, 'philosophy' is something that gives an understanding (a conception) of 'Nature' and 'Society'. It gives an understanding of whatever a given 'philosopher', who teaches these philosophical issues, holds.

If philosophers' conceptions are different, 'philosophies' too will be different.

The main question concerning 'Nature' is: 'Is there a creator or not?'

'There is no creator', says 'Materialism''. 'There is creator,' says 'Idealism'. 'We need not be concerned whether or not there is a creator,' says 'Agnosticism'.

If we suppose that the last '-ism' is closer to the first one, then it amounts to the absence of the last'-ism'. If it is closer to the second '-ism', then also it amounts to the absence of the last '-ism'. Which means, the whole controversy is between the two '-isms' in terms of the question: 'Is there a creator or not?'. The third '-ism' is not existent.

These two '-isms' have been there for thousands of years. Each one of them has been developing in its own way.

**(1) Materialism:** There is no creator called 'god' for 'Nature'. Nature is matter. It is material and natural. Matter changes from one form to another; from one property to another. But, matter will neither disappear completely nor come into being afresh from the 'vacuum'. Matter has no birth or death. It has no beginning or ending. To the question, 'How did matter first come into existence?', the answer is "there no such thing as 'beginning'". If the logic that 'nothing comes out of vacuum' is correct, it is not possible to conclude that, 'matter has first come into existence from the vacuum in a particular manner". Therefore, the correct answer would be "matter has always been there"; but changing its forms and properties! Earth will also change in its form after some period of time. Even the sun and moon will change in their form. But no element in that matter will disappear even after a change in the form. While some planets perish, some new planets come into existence. While some stars disintegrate, some new stars emerge. These changes take place simply due to the properties of the matter.

If we argue that 'this entire Nature had come into existence due to god only', then a question arises thus, "how did god come into existence". If we say. 'God has always been there', then also it (god) too should be Nature. It cannot be 'god'. Anything that has always been there is 'Nature' only. Anything that is in existence is 'Nature'.

Any aspect in Nature stands for the proof. Anything that is in existence should stand for the proof like Nature. Regarding 'god', we

need not go to the question, 'how did god first come into existence?'. If god exists at the moment, it should definitely be proved. Just as Nature is proved! But there won't be any proofs for god.

Matter has material properties and it does not possess properties that are above matter. The concept of 'god' is beyond the material properties. In the Nature consisting of material properties, existence of something that is above those properties and something that creates Nature is meaningless. The concept of creator is unnatural and irrational as well.

**(2) Idealism:** "At the beginning, this 'creation' was not there. Only God was there. The question as how god came into existence is meaningless. God is the greatest miraculous being. That greatest miraculous being first created himself and then created and ruled this Nature and these living beings. The god is beyond the properties of Nature."-Thus, logic does not apply to this '-ism' at all.

"Why does not God possess super powers ; He is God, you know?" This '-ism' assumes that there is enough logic in this question.

Some philosophers belonging to this '-ism' introduced gradually such terms as 'Idea', 'Consciousness', 'Soul' and 'Spirit' in the place of 'God'.

There was 'universal soul' before the 'universe'. There was 'the complete idea'. This universe is the reflection of universal consciousness. This is merely a reflection, not a truth and so on! It is impossible to understand what this '-ism' is.

If some one says that, 'the God alone created this world', it is very easy to understand what this '-ism' says irrespective of whether we agree or disagree with it. We van easily come to the conclusion that 'God is a meaningless concept'. But, it is very difficult to understand an 'ism' that involves such terms as 'Universal Soul' and 'Complete Idea'. This difficulty is akin to the difficulty involved in a meaningless thing. Here we cannot arrive at the conclusion, namely, 'this is meaningless' because it is unintelligible.

In fact, whether you say 'Universal Soul' or 'Complete Idea', both mean 'God'. But, as the term 'God' is turning to be very archaic, crude and doubtful in this world where 'materialism' is developing, some philosophers have introduced these new terms as if they discovered a

'greater knowledge' than the past. What these philosophers, who discovered these words, did was giving other names to 'God'.

Thus, conceptions concerning Nature began in two forms since antiquity and are still continuing.

'Materialism' did not acquire at once the entire conception that it has now. The materialism of one time used to hold the conception that 'phenomena in Nature were independent of each other'.

Materialism has been coming out of these shortcomings and developing gradually.

Along with this, the 'system of logic' also developed.

The method useful to understand correctly any phenomenon or any science is 'dialectical method'.

'Dialectics' means logical discussion. That is, 'dialectics' too is logic. It too has been there for ages.

The 'dialectical method' tells us the kind of conceptions that we should hold with regard to phenomena or things or processes in the course of discussion.

According to this understanding:

- Phenomena, things, or processes do not exist in isolation.
- There will be contradictions in every thing.
- Things keep changing due to natural contradictions. Nothing exists as a solid crystal in any stage without changes.
- When things change, changes merely in the 'form' may take place sometimes; sometimes changes may occur in 'quality' also.

To understand things with this perspective amounts to understanding things 'dialectically'.

Generally, when we speak of 'logic', it would proceed in a 'dialectical manner' at least to some extent. But, it may also include mechanical and half-baked kind of logic. Therefore, when we formulate certain principles for the sake of 'logic' instead of looking at things from a commonsense angle, a correct logical method and a correct method of inquiry will be formed.

**To understand 'Nature':**

It is possible to understand things properly only if we examine Nature with the conception that earth, sun, moon, other planets, stars etc., influence each other. The truth will be unintelligible if we examine various forms of the matter in Nature in isolation.

Likewise, we can understand that any given matter in Nature undergoes changes and its internal conditions cause those changes. While some times those changes affect only the form of the matter, sometimes they may change the properties of the given matter as well.

The contradictions (contradictory conditions) in Nature are natural. Since matter is eternal, the contradictory conditions in the matter too are eternal. Those contradictions will never vanish.

**If we understand 'Society' along these lines:**

All phenomena, processes and things in society exist with mutual relations and mutual influences. But, nothing will be in isolation from each other.

Phenomena in 'Society' too undergo changes. The inherent contradictory conditions of phenomena cause those changes.

Contradictions in 'Society' are two types:

Antagonistic and Non-antagonistic.

These two contradictions continue to exist as long as 'classes' exist. When classes disappear, antagonistic contradictions too disappear and non-antagonistic contradictions will continue as before.

If we assume that 'classes' have disappeared and 'equality' has emerged, then antagonistic conditions will not exist. Changes necessary for the society will be taking place without a change in the property(or quality) of 'equality'. Non-antagonistic contradictions alone will be the cause of such changes.

Thus, dialectical method gives us the correct path to understand 'Nature' and 'Society'.

Not only 'materialists' but also 'idealists' too apply the principles of dialectics to their theory. This is how they do: 'God and his creation are not different. This creation is not motionless and without changes. It

is always novel with constant changes. The cause for these changes is God who is its inherent force." This is how it goes on.

Everybody can apply the principle of dialectics to their respective theory.

Idealism, materialism and dialectical materialism have been there since thousands of years. However, materialism and dialectical method have been coming out many wrong notions and progressing. Idealism too has been changing in accordance with its own trend.

Materialism and Natural sciences had progressed due to the sacrifices of many intellectuals.

> "At that time natural science also developed in the midst of the general revolution and was itself thoroughly revolutionary; it had indeed to win in struggle its right of existence. Side by side with the great Italians from whom modern philosophy dates, it provided its martyrs for the stake and the dungeons of Inquisition. And it is characteristic that Protestants outdid Catholics in persecuting the free investigation of nature. Calvin had Servetus burnt at the stake when the latter was on the point of discovering the circulation of the blood, and indeed they kept him roasting alive during two hours; for the Inquisition at least it sufficed to have Giordano Bruno simply burnt alive." Engels. (Dialectics of Nature, p.22, National Book Agency, 1993).

Now, we have to consider Marxism and discuss the kind of conceptions it holds with regard to 'Nature' and Society'.

## 1) Marxist understanding of 'Nature'

Is Marxism idealism or materialism? Does it accept creator or not?

Marxism does not accept creator, superpowers, or any such things. Thus, Marxism is materialism and not idealism.

The concept of god is untrue. But, it is in currency as a truth in society. Marxist understanding of this concept is this: Belief in god had originally begun due to 'ignorance'. Gradually, the 'class society' established it in the form of religion.

Along with 'god', all superstitious beliefs such as sin Vs virtue, good luck Vs bad luck, deeds in the previous birth Vs rebirth, heaven Vs hell and so on.

The exploiting class, having itself fallen into superstitious ways, wishes that the labouring class too should become superstitious.

Though 'science' is progressing a lot and though many new things connected with Nature are discovered, all those scientific principles are confined to the spheres of producing commodities but scientific outlook is entering into the actual lives. The reason for this is that 'exploiting class is using god for its vested interests'.

The fellow called 'god', except during his infancy, has been regularly doing the first service for the exploiting class.

Wealth, poverty, power, authority, slavery, crimes, punishments, monarchies, wars and all such facts of exploitative relations in the real world are found in the books of all religions in the form of stories. All these are facts of the real world.

When we overthrow the 'exploiting class', its god, religion and every thing will go in search of it since religious work is a reflex of the real world. This is the conception of Marxism with regard to the existence of god.

Thus Marxism is 'materialism' without any exceptions. It tries to understand things in a dialectical manner.

Marxism does not, by itself, explain any aspect of Nature. The truths, which Natural sciences reveal, are truths also for Marxism. Marxism follows the physical laws that Botany, Zoology, Human Biology, Geography, Astronomy, Engineering, Chemistry and such other Natural sciences reveal.

Marxism is not a Natural science. It is a 'social science'. That is, a science which tells about society.

## 2) Marxist understanding of 'Society'

The history of society too is a process. All the stages beginning from the antiquity to communism constitute a process.

Each stage has been changing due to its inherent factors.

After the emergence of 'classes', class struggle itself had become the material force that changes the stages of the history.

Thus, we can understand 'history' properly only when we understand it from a materialist perspective.

There was no proper understanding of 'society' before Marx. At that time, there was no sequence, process or method to think about society.

This became possible for Marx by means of grasping 'exploitation'.

We have to understand 'classes' in order to understand society.

In order to understand 'classes', we have to understand 'value' and 'surplus value'.

Understanding 'value' as 'labour time amounts to understanding 'value' as a 'material phenomenon'.

Bourgeois economics did not at all grasp 'value' until a very long time. When it grasped it after some time in a half-baked manner, it gave first place to 'supply and demand', instead of giving the first place to 'labour'. According to this conception, the reason for the value (price) of the commodity has something to do with the likes and dislikes (ideas) of buyers and sellers.

Giving priority to 'labour' means giving priority to labourers and hence such view is impossible for the bourgeoisie. Hence, it was not concerned with 'labour'.

Showing the ideas of buyers and sellers as the basis for 'value' means that bourgeois economics was 'idealistic' in its outlook. (Even today, it is in the same state).

In such a situation, Marx was able to understand the material laws of the history of society since he grasped the correct 'material basis' for value, surplus value and the antagonistic contradictions between classes.

For bourgeois historians, 'history' is a collection of isolated events that occur without any order or rule. Those events too occur simply due to the likes and dislikes of human beings!

How are those likes, dislikes and ideas formed? What is their material basis? They (bourgeois historians) do not raise these kinds of questions.

Even if they offer answers to these questions, they show other reasons except 'class distinctions'.

Since understanding of 'surplus value' was absent before Marx, a rational understanding of human history too was absent before Marx.

Marxism, through its elaboration of economic phenomena, elaborated other social issues also.

Just as the question of 'creator' is fundamental with reference to 'Nature', so also the question of 'rich-poor distinction' is fundamental with reference to 'society'.

Why, among human beings, some are rich and some are poor and why some are masters and some are servants? Why are human beings 'unequal'? To these kinds of questions there were no proper answers before Marx.

The intellectuals, who were really upset over poverty and servitude, also did not grasp the actual reason.

We can reveal the basis for riches and poverty only when we know economic laws.

We will understand 'exploitation' only if we know the 'economic laws'.

Only if we know about exploitation, we will understand why there are riches at one pole of the society and abject poverty at another pole. Similarly, it is possible to understand why there are masterhood and servitude only if we know about 'exploitation'.

> In Marx's words: "...the whole of human servitude is involved in the relation of the worker to production, and all relations of servitude are but modifications and consequences of this relation." (Economic and Philosophical Manuscripts of 1844, p.73, Moscow 1974)

Take any 'unequal' relation in society. Inequality of races, inequality of castes, inequality of men and women—all are consequences that arise from the inequality in the production relations.

What more Marx had understood about 'human society' is this:

Society first requires necessaries of life in order to live. In the process of producing those necessaries, relations of productions arise among

human beings. The production relations alone constitute the 'foundation' of society. A 'superstructure' arises over that foundation in accordance with the foundation. Human consciousness (ideas, thoughts) will arise depending upon the position (existence) they occupy in 'production relations'. It is not that consciousness comes first and existence later.

> In Marx's words: "The general conclusion at which I arrived and which, once reached, became the guiding principle of my studies can be summarised as follows. In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness." ( A Contribution to the critique of Political Economy, pp. 20-21, Moscow 1970).

Unless we understand what happens in the 'production process', it is not possible to understand 'what sort of relations do humans have'. That is why it was not possible for any one before Marx to analyse human relations.

We should not fall into the danger of understanding Marx's words ("It is the social existence that determines their consciousness') very mechanically.

When we say that 'the ideas of the human beings depend on their position in labour relations', it does not mean that those ideas will always be favourable to that position. The ideas which are opposed to that situation will also arise from the same situation. Since these two kinds of ideas arise from the same situation, we say that 'existence determines consciousness(ideas)'. (We have discussed this entire issue in greater detail, under section 'existence determines consciousness', in the chapter 'Productive labour and Unproductive labour', in part 3 of volume 2).

In any exploitative society the position which humans occupy in labour relations will be contradictory. That situation creates mutually contradictory ideas. Only those ideas which are opposed to that situation can change the situation. However, those opposing ideas also can change only the form of the situation but not the character of the situation as long as they do not understand 'exploitation of labour'.

The fact that human brain grasped the ideas about exploitation of labour indicates another fact that social conditions that enable the human brain to grasp those ideas had already been developed by then. Those social condition were nothing but the conditions of system of commodity production (capitalism). It was this condition (capitalism) that gave scope to understand exploitative society. Just as the social conditions in any given society are contradictory, each stage in the New Society (where changes take place in order to eliminate exploitation) will also be contradictory. Take any stage of the New Society, the new relations that had changed only to some extent by then would constitute 'social existence' of that time. Depending on this existence, ideas of that time are formed. This process continues until the conditions of 'equality' get established.

If we assume labour relations as 'foundation' and ideas as 'superstructure' in any given stage of any given society, it does not mean that there won't be any influence of the superstructure on the foundation.

Any social aspect will influence any other social aspect. Likewise, spheres of superstructure will also influence the foundation. However, the mutual interaction that takes place between the foundation and superstructure is not like the mutual influence that occurs between equal forces because they are not equal forces.

If we assume the foundation as **A** and the superstructure as **B**, **A** and **B** are not equal forces. But, what will happen if we treat them equal is this: **B** changes into **A** under the influence of **A** and **A** changes into **B** under the influence of **B**. Which means, the names of **A** and **B** get reversed. But, their essence remains the same. Again the foundation and the old superstructure will appear with changed names. If foundation and superstructure exert mutually equal influences, then no condition in society will change. Therefore, if the essence of the things have to change, it is possible only when the influence of one is greater than the other.

Among the ideas that arise from the foundation, we cannot make any other distinction except 'favourable ideas' and 'opposing ideas'. When the influence of favourable ideas is stronger, the old foundation will continue. Or, if the influences of opposing ideas is stronger, the old foundation will change to some extent. When the two influenced are equal, the essence does not change.

Foundation alone is the fundamentally strong force because the force that changes the foundation too will arise from the foundation itself and because, the superstructure is a consequence of the Foundation. Foundation and superstructure are not autonomous aspects that exist in isolation. Though there is a mutual influence between them, their influences are not equal at the same time.

'Human society' is not simply a 'collection of individuals' like a 'group of birds' or 'herds of animals'. There won't be 'production relations' among birds and animals. Since this aspect (of production relations) is present in the 'collection of human beings' unlike any other living beings in the Nature, 'human society' means, though it is a collection of human beings, is a collection which has a particular kind of 'production relations' among its members at every stage. A collection of individuals without any production relation is not found anywhere and anytime.

The 'ancient society' that existed before the emergence of 'classes' represents a special stage involving 'equal' production relations.

Slave society represents a special stage in 'unequal' production relations.

Feudal and capitalist societies too represent such special stages.

The beginning of the New Society ' also represents a special stage where changes in the unequal relations occur.

The communist society represents a special stage in the equal relations.

Its continuation can represent another special stage within the 'equal' relations.

Therefore, 'society' is not a 'mob' consisting of some population. That mob is a collection with a particular kind of production relations, economic foundation and its corresponding superstructure.

> In Marx's words: "Society does not consist of individuals, but expresses the sum of the relationships and conditions in which these individuals stand to one another. As if someone were to say: for society, slave and citizens do not exist; both are men. They are both men, if we consider them outside society. To be slave and to be a citizen are social determinations, relations between human beings A and B. Human being A as such is not a slave; he is a slave in and through society." (Economic manuscripts of 1857-58. Page 195, Collected works)

Thus, Marxism, which gave us the philosophical (theoretical) perspective of grasping society as a collection of individuals that exists on the foundation of production relationships, is not only 'economics' but also 'philosophy'.

When we hear the terms 'philosophy' and 'dialectics', it interests us to know what these terms are because we might have read at many places that Marx and Engels learnt something from Hegel. But, except scattered and brief observations, Marx did not write any essay in detail on the 'principles of dialectics'. In one of his letters to Engels, he expressed his intention to write on the theme when he 'finds time'. But he did not write such an essay even later, whereas Engels indicated some principles of dialectics and offered an explanation to some extent in his works "Anti-Duhring" and 'Dialectics of Nature'. However, there is come criticism, even from Marxists with regard to those explanations and the examples.

> According to Engels- "Dialectics, however, is nothing more than the science of the general laws of motion and development of nature, human society and thought." (Anti-Duhring, p.162, Moscow 1975).

Concerning the being, reality and experience, 'dialectics' emphasises 'interconnection' in contrast to 'metaphysics' which consider phenomena in isolation.

In his 'Dialectics of Nature', Engels enumerates the laws of dialectics as follows: (1) The law of the transformation of quantity into quality and vice versa, (2) The law of the interpenetration of opposites, (3) The law of negation (Dialectics of Nature, p.62, National Book Agency 1993).

Engels gave examples from 'Nature' and 'History' to explain these three laws.

While explaining the first law, he says that water turns into 'ice' if temperature falls and turns into 'steam' if the temperature rises. There is a criticism over this explanation. Steam turns into water again. That is, 'quality' will again turn into the past quantity. Water can turn into ice as well. That is, it turns into further past quantity. Therefore, do we have to assume that a qualitative change will inevitably turn backward and it is natural?

To explain the third law, Engels gave the example of 'barley grain'. If we sow it in the soil, it turns into a plant and the barley grain will not be there. This is one 'Negation'. Later, when that plant grows and gives many more barley grains, then the non-existence of that plant will be another 'Negation'. Engels says that every new negation develops the 'process of perfection'. (He also says that this change takes place in the case of barley grains, but it takes place faster in the case of certain species of flowers).

The fact that 'matter' in the Nature underwent changes beginning from the 'unicellular organism' via many sensory organs to the 'brain' that controls those sensory organs indicates that the changes are always towards a higher stage. These changes will not go back again.

The explanation which Engels gave with regard to the transformation of quantity into quality and vice versa, leads to at least some doubts if not many questions.

It is logical to say that 'every thing keeps changing'. But its explanation leads to a question with regard to social issues. The question is: "Does it mean that 'Communism' too will turn into something else even after it is established? Does 'equality' too have to change? What is that much higher and more qualitative change that occurs next?"

We fall into this trouble because we treat both Nature and Society in an identical manner in every aspect.

Contradictions in Nature are natural. They will always exist. There will not be any contradictions in Nature that vanish after some period of time. But, it is not the same case with 'Society' (that is, 'class society'). We have to consider two types of contradictions. Antagonistic contradictions: those which vanish after some time. Non-antagonistic contradictions: those which always remain as natural conditions.

Viewed in this manner, 'higher changes' in society do not take place. Unendingly. There will not be any 'higher stage' beyond the stage of 'equality' once it is formed (or assumed to have been formed). To 'retain' (sustain) it will be the goal of that society.

The laws that effect 'changes' will apply both to Nature and society in an identical manner only to some extent. Those laws will not be precisely the same on all occasions at both the places owing to the difference between Nature and Society. Therefore, a change higher than 'equality' is meaningless and irrational. Hence, the formulation that higher changes always occur and that qualitative changes always occur does not apply to Society. Even to explain how this applies to 'Nature', it is not possible to explain with appropriate examples unless we know many sciences concerning 'matter'.

While elaborating new things, inadequacy, lack of clarity and at some times mistakes are not uncommon. It is our duty to treat Engels' examples (such as barley grain-plant, water-ice etc.,). as inadequate or discuss if more correct meanings are present in them and arrive finally at a correct conclusion.

Let us now examine some contexts in which Marx referred to dialectical method and Hegel.

> (1) "Of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyse its different forms of development , to trace out their inner connection. Only after this work is done, can the actual movement be adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected as in a mirror, then it may appear as if we had before us a mere a priori construction. — My dialectic method is not only different from the Hegelian, but is its direct opposite. To Hegel, the life-process of the human brain, i.e., the process of thinking, which, under the name of "the Idea," he even transforms into an independent subject, is the demiurgos of the real world, and the real world is only the external, phenomenal form of "the Idea". With me, on the contrary, the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought. —The mystification which dialectic suffers in Hegel's hands, by no means prevents him from being the

first to present its general form of working in a comprehensive and conscious manner. With him it is standing on its head. It must be turned right side up again, if you would discover the rational kernel within the mystical shell. —In its mystified form, dialectic became the fashion in Germany, because it seemed to transfigure and to glorify the existing state of things. In its rational form it is a scandal and abomination to bourgeoisdom and its doctrinaire professors, because it includes in its comprehension and affirmative recognition of the existing state of things, at the same time also, the recognition of the negation of that state, of its inevitable breaking up; because it regards every historically developed social form as in fluid movement, and therefore takes into account its transient nature not less than its momentary existence; because it lets nothing impose upon it, and is in its essence critical and revolutionary." (Capital, vol.1, pp.28-29)

(2) The following is a portion of a letter (dt.14.1.1858) of Marx to Engels, commenting on Hegel's book 'Logic'. "The fact that by mere accident I again glanced through Hegel's *Logik (*Freiligrath found some volumes of Hegel which originally belonged to Bakunin and sent them to me as a present) has been of great service to me as regards the *method* of dealing with material. If there should ever be time for such work again, I should very much like to make accessible to the ordinary human intelligence—in two or three printer's sheets-what is *rational* in the method which Hegel discovered but at the same time enveloped in mysticism...."—Selected Correspondence, p.93, Moscow, 1975)

(3) A portion from Marx's letter (dt.6.3.1868) addressed to Kugelman: "...my method of presentation is not Hegelian, since I am a materialist and Hegel is an idealist. Hegel's dialectics is the basic form of all dialectics, but only after it has been stripped of its mystical form, and it is precisely this which distinguishes *my* method." (Selected Correspondence, pp.187)

These sporadic and brief remarks indicate that the principles of dialectics, which Hegel elaborated, are correct. But, Hegel discussed those principles from an idealist perspective rather than materialist perspective. Hence, materialists should take those dialectical principles, apply them materialistically and understand things. This is what it meant.

Since 'materialism' had many shortcomings, it becomes 'dialectical materialism' only if we understand materialism in terms of mutual connections and motion.

It becomes 'historical materialism' if we understand history from that (dialectical) materialist perspective.

> "It was precisely Marx who had first discovered the great law of motion of history, the law according to which all historical struggles, whether they proceed in the political, religious, philosophical or some other ideological domain, are in fact only the more or less clear expression of struggles of social classes..." (Engels' preface to the third German edition of Marx's "The Eighteenth Brumaire of Louis Bonaparte", pp.9, Moscow 1972)

> "These two great discoveries, the materialistic conception of history and the revelation of the secret of capitalistic production through surplus-value, we owe to *Marx.* With these discoveries socialism became a science. The next thing was to work out all its details and relations."—Engels (Anti-Duhring, p.36, Moscow 1975)

We have to add the summary of the chapter 'Fetishism of Commodities' in part 1 of volume 1 to the present discussion.

Articles are always indispensable for human beings to live. It is enough if all persons do labour in order to produce articles; the capitalist who invests capital, the profit that he has to get etc., are not needed.

'The mysticism veil called 'value' that covers articles will become unraveled when human beings make attempts to get rid of the commodity relations and when they begin to establish relations from a 'use-value' perspective. Then the mystic veil that the value covers the human society will lift itself—This is the essence that we have to grasp from Marxist philosophy.

For the capitalist economists and philosophers, capitalist society is an eternal society. All the changes that occurred earlier will cease here because, according to them, there won't be production without 'capital'. Society itself won't exist if production does not exist. Hence, if society has to exist, it will exist as the capitalist society only. There won't be any scope for the society to change further. Hence the capitalist society is eternal and its features are eternal.

That is, according to them, wealth and poverty are eternal. Masterhood and servitude are eternal. All the inequalities are eternal. All the features that are present in the capitalist society are eternal. This society has to continue to exist forever like this.

In this blind world, Marxism, with its new knowledge, has changed meanings of all the aspects of life.

Marxism recognised labouring class as a revolutionary force that would change faulty social relations.

Marxism supported 'class struggle' which no economist or philosopher supported and declared it as a 'path of liberation of the labouring class'.

In the world that holds the wrong notion that 'one theory and one philosophy to all human beings', Marxism emerged as the 'theory of labouring class', that is as the 'philosophy of labouring class', owing to its special revolutionary character.

Since the economics of exploiting class does not admit the fact of the existence of classes, all human beings in its philosophy are identical. It repeatedly recites the word, "human beings, human beings".

But, the word 'human beings' is related to Nature.

'Human beings' are living species that are different from other living beings in Nature called insects, birds and animals. That is, when we speak of 'human beings', it means that we are speaking in terms of natural classification. According to this classification, 'all human beings are equal'. According to the physical properties, all human beings are equal.

But when we observe the social distinctions among human beings, all human beings are not equal. This classification is social; concerned with 'labour' and 'class'. According to this classification, all humans are class humans belonging to different classes. There won't be any humans who are unrelated to and beyond classes.

Therefore, while talking about social issues, saying 'humans, humans' is nothing but to conceal the class divisions.

The exploitative philosophy, which says 'all humans are equal' treats distinctions of caste, religious and race as inevitable distinctions among those same human beings. It alters its stand in whatever way it suits.

According to the capitalist philosophy which recites that 'all humans are equal', the entire population is the same. The entire 'capital' is 'national' capital! 'Wealth' is 'national' wealth! 'Income' is 'national' income! As if that capital belongs to all, as if all persons are labouring for that wealth and as if all are getting that income.

According to the capitalist calculation, per capita income is that which we get when we divide an annual social income by the population figures! Same income for the director of a monopoly company! Same income for the share broker! Same income for the agricultural worker! Same income for an unemployed person! The same is the case with every aspect of the capitalist understanding.

But, when the society itself is a class society, every aspect of it will have class character.

Everything in the 'class society' is of two types!

Economics is of two types! Philosophy is of two types! Every theory, every knowledge is of two types.

'Science' is also of two types! The way it is used and the benefit that is derived are of two types!

Education, medicine, morality, psychology—everything is of two types.

'Philosophy' is not something that is limited to only one country. In every country and in every age philosophers and philosophies have been there.

Since any country is a class society, the philosophy of exploiting class of any country creates belief in god and preaches wealth and poverty as natural conditions of existence in the same manner.

However, if the struggles of the labouring class in a given country are intense, every country gives new touches to its exploitative philosophy in order to prevent the influence of that class struggle on its labouring class. It begins to recite the same jargon, which can keep the labouring class under illusion! To day, we can find such words as 'socialism' and 'egalitarian society', which the exploiting class never uttered, in its philosophy. Of course, the meanings that it gives to these words are different.

Let us now see, through some examples, how mutually contradictory are the exploitative philosophy and the Marxist philosophy.

**Contradictory philosophies**

| **Exploitative Philosophy (another name is 'untruth')** | **Marxist Philosophy (another name is 'truth')** |
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| (1) There have been two types of people in society since the past: people who are lazy (idlers) and people who are economical. While idlers became 'poor', people who were economical became rich. | (1) It is true that there have been two types of people in society. But they are not people who are lazy or economical. The exploiters and labourers! Only labourers became poor and exploiters became rich. |
| (2) Anybody will have the right to accumulate private property. Whoever has 'capacity' he can accumulate. | (2) 'Capacity' means ownership secured forcefully over the 'means of production'. If it is the property formed due to 'self-labour', then it will be enough only to satisfy necessaries of life. If property accumulates over and above that level, it is possible only through exploitation. To say this metaphorically 'property is theft'! When we say 'property', property of self- labouring people and property of the exploiters are not the same. "Political Economy confuses on principle two very different kinds of private property, of which one rests on the producers' own labour, the other on the employment of the labour of others. It forgets that the latter not only is the direct antithesis of the former, but absolutely grows on its tomb only." —Marx (Capital, vol.1, p.716) |
| (3) People will not be 'enthusiastic' to do work if there were no 'private property'. | (3) Was all that labour, which slaves performed, for their 'private property'? Is the labour, which workers are now doing, for their private property? Why are they working without having any private property? All the properties of the owners are their properties, aren't they? Then why don't the masters have enthusiasm to do work? Why is their own property not making them enthusiastic? |

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| (4) The 'State' protects law and order. It saves from the enemies. | (4) True. The 'State' of the exploiting class protects the law and order of the exploiting class. It saves the exploiting class from its enemies; that is from the 'labouring class'. Which means, the class-state does not function for the two classes. |
| (5) We can't say about the past societies; but at present, capitalists and workers are equal. | (5) No. This society is also another form of the past societies. This relation is also a relation of exploitation; a relation of master and servants. This is also a faulty social relation. |
| (6) 'Selfishness' is in the very human nature. | (6) Firstly, it is wrong to talk about human beings as a whole. Humans are 'class humans'. What is the selfishness of a slave? What is the selfishness of labourers? Is it to pour-out the largest part of their labour free to the class of owners and serve it day and night? The entire 'selfishness' is that of class of owners; not of all the human beings. |
| (7) Human beings are 'bad people' by nature. They commit crimes. | (7) The basis for the crimes and badness is exploitation only. Exploitation itself is a big crime. All the crimes arose for the sake of economic and political interests of exploitation. All the criminals have been formed due to the exploiting class only. Some of the crimes, which the labouring class commits, are for the sake of livelihood; some are due to the influence of exploiting class. Human beings, at the time of their birth, are neither good nor bad. Only society make them good or bad. If crimes and evil are present in the society, it means that the society is in the state of great blunder! For those to whom exploiting society appears as 'eternal', all its features too appear as eternal features. Criminal activity and evil nature appear to be eternal and natural features of human beings. But it is not true. |
| (8) Fair distribution of 'national income'. | (8) System of extracting 'surplus value' from the 'labouring class' should continue! Rents, interests, profits and every thing should continue as they are! The entire exploitation should go on as before! But, a 'fair distribution' of national income! 'Fair'! |

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| (9) Economic issues depend on politics. | (9) No. Politics will have some 'goal': either to sustain the economic foundation or to eliminate it. Politics are necessary for this objective only. Hence, politics depends on economics, but not that economic issue depend on politics. |
| (10) The poor should get 'justice'! We have to 'serve' the poor! | (10) The very existence of the 'poor' itself is 'unjustified'! Justification for an unjustified situation means keeping the poor as they are and others do 'justice' for them. Governments in the service of the poor; Clubs in the service of the poor! The voluntary organisations also in the service of the poor! All are in the service of the poor! These are the fellows who create the poor! They are not concerned with the 'why' of poverty. The poor have been doing labour to you since generations. In future, they will still do greater service for you. They will throw you from the 'throne of the masters' and do the service of making you real human beings. |
| (11) Don't reduce human life to the 'level of economy'. | (11) Yes, Marxism also tells the same. It also says, 'human relations should not be like money relations'! To achieve this, Marxism has a theory and a programme of action as well. But you don't have any such thing. All that you have with you is the programme of 'increasing money by means of money'. On the top of it, parrot-like talk and fake morals: 'don't reduce human life to the level of economy'! According to you, money is eternal! Money-exploitation is eternal! Money relations are eternal! But, ours is the theory that really rejects 'money'; that is 'Marxism'! |
| (12) There should be no restrictions on the freedom of human beings. | (12) Human beings are of two types. Exploiters want freedom to exploit. This is their meaning of freedom. But, labourers argue that no one should have the freedom to exploit; they don't want such a freedom even for themselves. This is their meaning of freedom. Hence, freedom too has class-nature. Whether it a big issue like 'exploitation' or a trivial issue like 'growing nails', one cannot have his/her freedom. When a person is living along with other persons in society, his/her freedom be such that it should |

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| → not harm others (society). If a person says, 'my nails are my pleasure' and grows long nails, then every one will have the freedom to catch that person and cut his/her nails. It is necessary for the protection of the health of the society as well as self-protection. This is the meaning of freedom. | |
| (13) Lower classes are now changing. Consider so and so person belonging to the lower class of the so and so country. For example, take **Ambedkar** of India. How much has he progressed! | (13) The progress of one individual is not the progress of the total class. Moreover, progress which **Ambedkar** attained was not a real progress. Ambedkar, whose origin was of the lower class, knowing about Marxism, opposed Marxism and hence helped the capitalist class rather than the labouring class. "The more a ruling class is able to assimilate the foremost minds of a ruled class, the more stable and dangerous becomes its rule." (Capital, vol. 3, pp.601). |
| (14) The capitalists act as trustees of the properties. The workers work hard like patriots (this is the summary of trusteeship theory of 'Mahatma' Gandhi, the modern Indian philosopher). | (14) Why? Why shouldn't the workers act as trustees and why shouldn't the capitalist work hard like patriots, Mr. 'Mahatma' Gandhi? |
| (15) "I will be born as scavenger if at all there is a rebirth"- Mr. Mahatma Gandhi. | (15) Why wait until the next birth? Why do you waste this 'birth' by postponing the 'good deed' until the next birth? Why don't you begin it during this birth only? |
| (16) Under socialism, the king and the peasant, the rich and the poor, employer employee all persons will stand at an equal level— Indian philosopher, → | (16) Under the 'socialism' of Mr. Gandhi, there will be kings, rich-people and employers on the one hand and peasants, poor people, and labourers on the other hand as before! But all persons will be at an equal level! In what respect do they stand equal? Well, we don't know. Mr. Gandhi has not elaborated it. But, Mr. Gandhi was obliged to introduce words like 'equal → |

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| → Mr. Mahatma Gandhi (socialism of my conception, p.1) | → status' and 'socialism'. |
| (17) Landlords should donate their surplus land for the sake of poorer classes. Vinoba Bhave, the philosopher of Land-donation movement. | (17) 'Surplus land'! 'Surplus' means? Some thing that remains after landlords retain as much land as they want! Will the family of the landlord cultivate the land, which the landlord retains? If the agricultural workers cultivate that land too, wages and surplus value will be as before! How will Land-donation movement solve this problem? |
| (18) You should not ask, 'what the society has given to me', rather you have to think, 'what have I given to society'? | (18) The society, which always extracts from the 'individual' always preaches such sermons. Wherever there is 'taking' there should also be 'giving'. The person, who questions himself thus, "what have I given to society" will have the right to question thus, "What has the society given to me?" A society, which always takes but does not give anything, will not give anything, will not do any good to individuals. If the individual is for the society, the society is also for the individual. There should not be contradictions between the individual and the society. The two are not different. The 'good' of the two is the same. |
| (19) All the religious books talked about the welfare of all the people. Look at 'Bhagawat Gita'! Read 'Bible'! Take a glance at 'Quran'! "sarvee janaa sukhinoobhantu" (Let all people live happily!), said our elders. | (19) True, they said so! What did the religions books say as to why all people are not happy now and why some people are unhappy? Did they show 'exploitation' as the cause? Did they tell the solution to change the society so that all people will be happy? Did they suggest 'class struggle?' Did they say a single enlightened word to change the real lives, except to bow down in temples, churches and mosques? Will all people become happy by simply saying so? Don't the religious books know the commonsensical thing that 'prayers don't bring down a fruit you have to pluck it?' |

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| (20) Class struggle is violence. | (20) Before saying so, the exploitation class should abandon all its weapons. It has to abolish its police, courts, prisons, military and everything. It is the exploiting class, which kept all the weapons. It is the exploiting class alone that has been resorting to unimaginable violence since ages. Violence is meant to suppress the labouring class. It is not violence to revolt against the violence. It is a struggle for self-protection. It is the right of the labouring class to liberate itself. If the exploiting class realises this right of the labouring class and voluntarily gives up its exploitation, there will neither be struggle nor violence. It is the exploiting class, which is responsible for violence right from the beginning. |
| (21) If masters are relieved of the work of management, they can study 'philosophy'— **Aristotle.** | (21) Well, then, when should the workers study philosophy? If masters also get into the work along with the workers, working time for all will decrease and then all people can study 'philosophy'. Isn't it? |

Thus, philosophy of each class argues in favour of its respective class. But, truth cannot be of two types. Though the exploiting class change the truth in any number of ways for its class interests, the 'actual truth' is one. It is the theory of labouring class. It is the philosophy of the labouring class. That is, Marxism.

> "The philosophers have interpreted the world in various ways. The question, however, is to change it"—Marx.(Theses on Feurbach' in "The German Ideology", pp.620).

The theory that can eradicate exploitation blossoms the real and natural human characteristics in the human society.

> "...communism, as fully developed naturalism, equals humanism, and as fully developed humanism equals naturalism; it is the genuine resolution of the conflict between man and nature and between man and man....."—Marx. (Economic and Philosophic Manuscripts of 1844, pp.90)

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Chapter 3

# Proletariat with 'muck of all ages'

We have seen before that 'existence of classes' as 'classes' is one thing and the 'consciousness of the classes about their existence as classes' is another thing.

When we say 'consciousness', the consciousness merely at a 'common sense' level is vague. Due to this kind of consciousness, only outward things will be intelligible but the entire truth will not be intelligible.

When 'science' also accompanies common sense, even the consciousness will give new meanings and the whole 'truth' will come out.

Even after the revelation of the secret of 'classes', the labouring class is still at the common sense level. It is one thing hear certain isolated words like 'Marx', 'exploitation' and 'Communism' is one thing to and it is another thing to know theoretically that they have been losing their 'surplus labour' to the exploiting class since generations under specific names and thus they have been in existence as a class.

The labouring class has been away from this knowledge since generations.

Ignorance about 'nature',

Ignorance about 'society'.

This is happening so because whatever knowledge the labouring class receives is nothing but what the 'class of owners' teach it. All the means that disseminate knowledge, especially, education, arts, all other cultural media are under the control of the class of owners with that class character. The labouring class does not have the means to receive knowledge without reference to the class of owners.

> "The ruling ideas of each age have ever been the ideas of its ruling class."—Marx & Engels (Manifesto of the Communist party, p.72)
>
> "The ideas of the ruling class are in every epoch the ruling ideas: i.e., the class which is the ruling *material* force of society is at the

> same time its ruling *intellectual* force. The class which has the means of material production at its disposal, consequently also controls the means of mental production, so that the ideas of those who lack the means of mental production are on the whole subject to it. The ruling ideas are nothing more than the ideal expression of the dominant material relations, the dominant material relations grasped as ideas; hence of the relations which make the one class the ruling one, therefore, the ideas of its dominance."—Marx & Engels (The German Ideology, p.67)

The class of owners is the ruling class. The ideas of the ruling class are the ruling ideas. The very ideas of the class of owners are the ideas of the labouring class.

The knowledge which receives through the class of owners is:

God in relation to Nature; and disgusting and horrible superstitious notions in the daily life!

In the case of 'society', the lands and properties of the owners are those which their forefathers gave. Later, the owners worked very hard with their intelligence and raising their properties. Our forefathers did not give anything to us. Hence, we are poor. This is how it goes on.

Whatever the class of owners say, the same thing is repeated!

"In the society, everything is of two types. Economics is of two types. Philosophy is of two types. Everything is of two types"- These observations, which we made earlier, exist simply at a theoretical level. It does not mean that these two types exist in the daily life. There are no different economics, different philosophy and a different way of thinking in the lives of the labouring class. Except the knowledge which the class of owners transmits, the labouring class does not have any other kind of knowledge.

The labouring class has to learn that 'different' knowledge afresh.

The majority of the labouring class does not yet know in a correct way what their class theory, Marxism, says.

The labouring class does not know that 'wage' is merely 'value of labour power' but not 'value of labour' and that 'rents, interests and profits', which go to the class of owners, are nothing but their 'surplus value'.

It does not know that all the means of production are part of its past surplus value and that no class should have the ownership right over land.

It does not know that the State (government) which is ruling them, protects 'exploitation' and any State could exist only as a class-state.

It does not know that it is living in slavery under that class of owners and it has no independent life.

**While manual labours and mental labours take place in a 'production process', the workers who perform mental labour do not think thus, "we are doing mental labour; other laborers are doing manual labours. All of us constitute same class". The people who perform manual labours also do not know this fact with clarity.**

The labouring class does not in fact know what a 'labouring class' is and what its constituent sections are.

The mental labourers like teachers, doctors, lawyers, engineers and scientists do not know that they are also living in slavery under the class of owners. They know one piece here, another piece there, and nothing more about Marxism. They simply know that 'Marxism' is a theory of communists but they do not know that it is a theory that tells truths about classes and that they are also part of the labouring class.

While the situation of mental labourers is like this, it is needless to talk about the manual labourers.

If the labouring class, which is in such a situation, wages 'class struggle', it would undoubtedly be a sequence of defeats.

The labouring class, which was also in the same situation in the past, was able to succeed in its class struggles in the past because those struggles could only change the form of class slavery and they were not intended to eliminate exploitation. Hence it was possible to succeed though the class did not know about 'exploitation'.

But, here, it is not the case. We have to eliminate exploitation itself. We have to drag the non-labouring class into labour. We have to build New Society involving revolutionary changes. To accomplish all this, the labouring class should be aware of its class theory! It should wage its struggle knowingly!

To wage this struggle, **it is not enough if the labouring class go against the class of owners with the strength of the guns. More importantly, it has to go with 'theoretical strength'. If it goes simply with the strength of the guns, it can easily succeed, just as one king succeeds another, because the labouring class is in large numbers. This is the first step only.** The entire struggle that should take place will come only later. The actual struggle involves 'building of the New Society'. If the labouring class does not have the 'knowledge of the class theory', it would build again the capitalist society, thinking that it is building the New Society; at the most in a slightly 'modified form'! It (such a society) won't develop the 'class knowledge' of the labouring class at all. It would gradually increase opportunities for the exploiting class, which is ready in a disguise to pounce upon. On one fine morning it will again emerge as a disguise-less, old capitalist society. Thus, the entire struggle, which the labouring class until then waged knowingly or unknowingly, cleverly or stupidly, will be futile.

Therefore the most important condition for the successful onward march of the labouring class in its class struggle and for the uninterrupted building of the New Society is that it should receive the entire knowledge about 'exploitation'! That is, it should know 'Marxism'!

It should come out of the capitalist ideological sphere in every smaller or bigger issue with a clear-cut aversion and grasp.

The 'good quality' that the 'labouring class' has is 'doing labour'. This itself is its speciality. If we take out this specialty and put it aside, the labouring class possesses all the 'bad qualities' that the class of owners has because it is the class of owners, which decides the lifestyle of the labouring class. The kind of products that the labouring class consumes, its ideas, its pastimes and everything is a decision of the class of owners. The labouring class will not have its own life style with special values. The duty of the labouring class is to 'imitate' the life style of the class of owners.

The labouring class looks at the life style of the class of owners, which glitters with the glaze of money, uncritically with temptation and awe. The labouring class will acquire the false values, avarice and bad qualities of the life style of the class of owners as they are.

Just as the class of owners behaves in a discourteous manner toward

the labouring class, so also each section in the labouring class behaves in its own discourteous manner toward other sections within its own class.

The mental labourers do not behave with courtesy toward manual labourers.

The male workers do not behave with courtesy toward woman-workers.

Even the woman-workers do not behave with courtesy toward other workers, who are at a lower level than them and toward the domestic workers, if they engage some.

The woman-workers and male workers do not behave with delicacy and affection toward the child-labourers at the work places.

The labouring men and women do not behave with courtesy toward their aged parents and other aged people.

Whichever section is placed at a higher level and possesses some extra rights compared to another section within the working class, it won't agree to give up its rights and authority.

All this is 'muck' that the labouring class acquired from the class of owners! This muck is not limited to one year or one generation. It is the muck that has been accumulating since the days of slavery!

If we observe how the influence of one class would be on another class, we will find that the class of owners will not get spoiled under the influence of the labouring class. If the influence of the labouring class is on the class of owners, the class of owners will learn some labour and will become somewhat good and it will not lose any thing. But it is not the same case with the consequence of the influence of the class of owners on the labouring class. Owing to the vices of the class of owners, labouring classes will inevitably learn all those vices under the influence of the class of owners. It will first learn mainly laziness and tendency to evade labour. Along with it many kinds of vices!

Along with the existing ignorance in all aspects, the labouring class will be immersed in many kinds of vices such as: frauds and tricks of the class of owners; false values at every step; attitude to exercise authority over fellow human beings wherever possible; craze for fame in their own possible ways; attaching value everywhere only to 'quantity' rather than

'quality'; rudeness; stupidity; insincerity; addiction to vices; unkindness, cruelty and thirst for blood towards animals and humans and so on.

This does not mean that every individual will have all these vices. There will always be a difference between one person and the other. If we consider the class, it will, on the whole, have all these vices.

The reason for all this may be the class of owners; may be exploitative society. But, the point to be grasped here is that the labouring class too is not a 'heap of good qualities'.

Though the labouring class has got dislike and disdain to some extent toward the class of owners, it will have more fear and respect toward the riches, wealth, status and exhibitionism.

The 'master' does not at all feel shy or show hesitation in the presence of labourers. He stands proudly as if he is a person with great intelligence and great efficiency and he is maintaining the labouring people.

The labourers hesitate and show obedience.

For labourers, everything connected with the class of owners appears to be 'great'.

Market affairs, prices, banks, exports and imports, stock exchanges, exchanges with foreign countries—all these topics which the class of owners talk are 'great' in the view of labourers. It is because, all these things take place without any connection with and knowledge of the labouring class.

Labourers show much more reverence and attention towards the 'highly educated' owners. "He studied at Harvard", "He studies in London", "He studied in New York", "He studied at Cambridge"—These expressions will make the labourers surrender much. What did he study there? Did he study about exploitation? Did he study that we have to do away with exploitation? Did he study 'how to eliminate exploitation'? He studied none of this. He studies exactly the opposite of this. That is, he studies that we should retain it. He returns after studying how to exploit them further and further. The entire secret of 'higher' studies is only this! Should the labouring class respect fellows who study these things? Let those highly educated fellows studied any number of courses, let them

study anywhere, let them possess any number of degrees and let them wear any number of medals, the labourers should have a sense of strong rejection and they should not at all take note of them.

The same thing happens in the case of 'heads of the governments'. Ministers, Chief ministers, Prime ministers, Presidents and all such persons appear to be the 'most powerful' persons to the labourers. But who are they? They are merely exploiters only! They are the fellows who merely bargain and who do money calculations! They have no greater values than these. What appears to be their power is not their power, it is the power of the 'Capital'! All that appears to be the power of 'Capital' is not that of the capital; it is of the 'labour'!

On the whole, the entire power owes its origin to 'labour'!

Since such labourers are in ignorance, they cannot realise their own capacities; moreover the fellows who do not have any capacity appear to them as the most powerful.

Therefore, labourers should not at all attach any value to such words as: 'They are rich! They are great! They are educated! They are knowledgeable! They are intelligent!

Just as an atheist does not at all care the religious preacher, so also labourers should not care the bourgeois education, bourgeois intellectuals, bourgeois leaders and bourgeois theoreticians! Further, intense anger should always burn like a fire in the hearts of the labourers against 'bourgeois nature'! But their ignorance does not give them so much strength.

The labouring class, due to its ignorance, puts its trade unions in the hands of bourgeois leaders who are not connected with 'labour'. It feels happy by watching the leaders receiving titles for the labour which they never performed.

Likewise, the labouring class harbours lot of illusions on bourgeois political parties and the governmental schemes.

The 'labouring class' feels happy as soon as it heard the news that the government undertook such and such scheme for the 'eradication of poverty' with 150 crores. But, whatever be the nature of that scheme and even if the government leaves it to the responsibility of the labourers, the

wages fixed there are 'value of labour power only'. No scheme pays 'surplus labour'. Hence no scheme will eradicate poverty. Even to understand such a minor issue, one has to know about exploitation. When the labour class does not have such a knowledge, it will surrender to reformism or false policies that reemerge in newer forms.

Marxism is not meant for the capitalist class. The capitalist class does not receive that theory. It is meant for the 'labouring class' only. Thus, Marxism is the theory of the labouring class.

The question, however, is how properly the labouring class follows that theory. The labouring class, which is under the influence of wrong theories, may follow Marxism sometimes properly and sometimes wrongly.

When it follows properly, theory and practice become one and the same.

When it does not follow properly, the two become different.

To call Marxism 'theory of the labouring class' does not mean that whatever and however labouring class practices, it amounts to Marxism (that itself is the theory).

If 'the labouring class' commits mistake, it is not the mistake of 'Marxism'.

If the 'labouring class' commits mistake, the same mistake is not Marxism.

Likewise, whatever the 'organisations', 'the political party', or 'the government' of the labouring class does, it is not Marxism.

As Marxism is rational and as it defends 'labouring class', it does not mean that the labouring class too has all the good qualities and rationality, which Marxism has.

When we say 'labouring class', it is not equivalent to Marxism. Similarly. Either a 'party' or 'government' of the labouring class cannot be equivalent to Marxism simply because they took those names. It does not mean that those organisations (party or government) have the correct consciousness to defend the interests of the labouring class.

Similarly, 'class struggle' means, it is not simply a struggle waged against the bourgeois class. It is a struggle which the labouring class wages against itself. That is, against the bourgeois nature that is present in itself. Against its false consciousness that hurts itself!

When we speak of 'building of New Society', it is not merely the bourgeois class that has to change. Before that, the labouring class has to change. Each section within that class has to change. Mental labourers, manual labourers, women, men, children, adults and every one should change. All people have to get rid of their vices, which they have been accumulating since the past and progress from one stage to another.

Since the labouring class has been behaving in accordance with the exploitation relations for generations together, the labouring class too requires anti-exploitation regulations against its past servile psychology and false conceptions.

The labouring class has to struggle against the 'muck of all ages' under the influence of the exploiting class.

All this is part of the 'class struggle'. All this is part of the anti-exploitation struggle.

Through such struggle, the labouring class has to make itself fit for the new revolutionary life.

> "Both for the production on a mass scale of this communist consciousness, and for the success of the cause itself, the alteration of men on a mass scale is necessary, an alteration which can only take place in a practical movement, a *revolution*; the revolution is necessary, therefore, not only because the *ruling* class cannot be overthrown in any other way, but also because the class *overthrowing* it can only in a revolution succeed in ridding itself of all the muck of ages and become fitted to found society anew."—Marx & Engels (The German Ideology, p.60)

When we say 'movements', 'revolutions' and 'class struggle', all these should take place with the knowledge of the theory of labouring class. And 'Capital' is the book that explains that theory.

'Knowledge of capital' is the primary condition for the organisation of the movement.

If those who read 'Capital' recall what ideas did they hold before reading it, they will realise that they held many wrong notions earlier. Those 'wrong notions' would remain as they are if they did not read 'Capital'.

It is the same case with the labouring class. If the labouring class does not receive the knowledge which 'Capital' gave, it would terribly lag behind theoretically. It will be completely immersed in the exploitative theories.

In September 1868, the conference of 'International Workmen's Association' was held at Brussels. A resolution was passed at that conference as follows:

> "workers of all countries should study *Capital* and that efforts should be made to have it translated into the various languages."(Karl Marx: A Biography, p.370, Moscow 1973).

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Chapter 4

# Some issues

## 1) Some criticisms against Marxism

Since the days of release of Marx's 'Capital' and its exposure of 'exploitation', the bourgeois economists and philosophers have been opposing Marxism using various kinds of argument; they will still do it.

Of those criticisms, some are those which bourgeoisie makes without understanding the contents of 'Capital' and some are those which the bourgeoisie makes without willing to understand.

While discussing the question 'what is the 'value of labour'?', Marx takes 'male labourer' as an example and says that the expenditure of the family maintenance (including the maintenance of the wife) will be part of his 'value of labour power'. He, however, tells us that this situation prevails during the period prior to the 'modern machine-based industry' rather than in the period of modern industry. Marx observed that, since

the days of 'machine-based industry', women and children increasingly come into outside work and they earn their 'value of labour power'. Hence, there is no scope for a controversy over this issue. However, the question is whether men took care of the maintenance of women in the labouring class families prior to the 'modern industry'. It is a fact that the number of female workers in any country is not equal to the number of male workers even today. If we consider the same situation in the context of 'manufacture' period, it will not be contrary to the fact that the number of female workers is much lower than the male workers.

Only if woman is able to earn the expenditure connected with her maintenance as well as half the expenditure connected with the maintenance of the children, it amounts to the fact that she is discharging her responsibility in the maintenance of the family.

Was there a situation, which is not present even today? To assume—that the number of female workers is much less than that of male workers; Or, the annual earnings of the female workers was lower than that of the male workers, though women too performed some labour—is not contradictory to the fact.

Owing to this fact, Marx took the male worker as general example. Marx did not do it out of his likes and dislikes. Marx is not deciding that "the maintenance of woman should be done through man". He is telling a fact concerning the earning. He is not saying that the existing fact should continue. He is not justifying that fact.

In case, both the wife and husband do labour for the masters and receive wages, then each wage is the value of labour power. Each wage fetches 'surplus value' for the master. The labouring family that gets two wages can use some more products than the family that gets only one wage.

Marx described the condition of men and women in an identical manner since the period of 'modern industry'.

When women too are engaged in various kinds of labour like men, those women will stand as either productive or unproductive labourers. If they are confined to only home, they stand as those who are engaged in the 'family labour'. Or, they stand as 'independent producers' or independent traders'. All things concerning 'labour' will apply to women just as they apply to men.

Marxism is the theory that teaches 'human equality'. If women are also human beings like men, equality also means 'man-woman equality'. When the 'old division of labour' changes, the old division of labour between men and women will also change.

Marx had no where justified slavery of women and children in the family.

> "...in private property of every type the *slavery* of the members of the family at least is always implicit since they are made use of and exploited by the head of family." (Capital, Vol.1, Pp.1083, Penguin edition).

> "However terrible and disgusting the dissolution, under the capitalist system, of the old family ties may appear, nevertheless, modern industry, by assigning as it does an important part in the process of production, outside the domestic sphere to women, to young persons, and to children of both sexes, creates a new economic foundation for a higher form of the family and of the relations between the sexes. It is, of course, just as absurd to hold the Teutonic-Christian form of the family to be absolute and final as it would be to apply that character to the ancient Roman, the ancient Greek, or the Eastern forms which, moreover, taken together form a series in historical development. Moreover, it is obvious that the fact of the collective working group being composed of individuals of both sexes and all ages, must necessarily, under suitable conditions, become a source of humane development; although in its spontaneously developed, brutal, capitalistic form, where the labourer exists for the process of production, and not the process of production for the labourer, that fact is a pestiferous source of corruption and slavery." (Capital, Vol.1, Pp.460, Moscow 1974).

Focus your attention on these words: "...modern industry...creates a new economic foundation for a higher form of the family and of the relations between the sexes." Here Marx is clearly stating that the present form of the family is not of a higher level and that the present form of 'man-woman relationships' are not of a higher level and both the form of the family as well as the form of man-woman relationships will have to change into a higher form.

While reading any 'work', although misunderstandings crop up

temporarily either due to lack of adequate clarifications or due to an unclear understanding of the contents, we will certainly get out of the misunderstandings as we gradually proceed further and understand the nature of the work.

But, the bourgeois intellectuals, who are 'hostile' to Marxism, do not try to dispel their misunderstandings of Marxism. They intentionally increase their misunderstandings.

Bourgeois feminism is one among the various kinds of bourgeois approaches that exhibit 'hostility' towards Marxism. Its criticism proceeds like this: 'Marx has entrusted the responsibility of the maintenance of women to men; he treated the maintenance of women as part of the value of labour power of men; he did not at all talk about the labour of 'women'; all that he talked was about the labour of men; Hence Marxism is not useful for the problems of women.

Let there be vagueness and aspects that lead to any number of misunderstandings in Marxism, when people read Marxism, they will try to understand it but no one will arrive at so negative an opinion, except enemies!

What else will be useful where Marxism is not useful? Something that is opposed to Marxism only! That is, theory of the exploiting class only. That is what bourgeois (whether men or women) wants. They don't say that directly. They declare as if there is some thing wrong with Marxism which they discovered, hence abandoned it and they are following a still greater theory. That 'great' theory is nothing but the theory of exploitation which they need. Thus they reach their own nest.

* * *

The essence of all criticism against Marxism is the same, namely, 'Marxism is not useful'.

Those who find fault with Marxism should argue thus, "The theory of surplus value itself is wrong; there is nothing called 'exploitation'. But, they don't go to that argument. If they enter into that argument, 'is exploitation present or not', they know that its presence will be proved. Once it is proved, they have to say that it should be eliminated. They cannot say it should be retained. That is why, they do not enter into the discussion of the 'surplus value'. We don't find a single book which

argues that there is no exploitation and that the theory of surplus value is wrong. They make all the criticism against the 'class struggle' without uttering the word 'exploitation'. As there won't be any programme of eliminating 'exploitation' if they reject 'struggle', all the bourgeois theoreticians use all their capacities and tactics to say that 'struggle is wrong'.

The class struggle disturbs 'peace', they say. Whose peace is it? According to them their exploitation does not disturb peace. Their wars too don't disturb peace!

The class struggle 'misleads' the 'labouring class'! That is, it leads them to a 'right path'! This is the actual fact.

Further, the haphazard arguments of the capitalist intellectuals will be as follows:

"Today there are, in fact, legally acceptable governments. They will accomplish changes peacefully".

"Where are, in fact, the poorest workers whom Marx described? In the western countries, workers too will have cars, TVs, washing machines and everything. The workers are also buying shares. The workers are also getting share in the profits. Well then where is the distinction between the workers and the capitalists?''

"At present all the companies are, in fact, run by the managers. Where do you still have capitalists?"

'Where is, in fact, inequality? The workers do not think that they are unequal. It does not worry them. While they are comfortably living in their own way, what good do they get if you provoke them by saying that, 'you are living in inequality'.

"Equality is, in fact, not possible for ever. There is inequality naturally among human beings"

"The workers, in fact, have now changed a lot. Machinery has increased. Where are the workers, now, except technicians?"

"The workers have now turned into a 'new middle class'. Marx did not say about them! All that he talked was about the old working class"

"Look at the western countries. There, the workers are not concerned with Marxism"

"The entire Marxism is a one-sided theory. It is a partisan theory. It is entirely pure economic theory. If it contains one piece of truth, there is lot of untruth in it"

"No use. Marxism is not applicable"

All these arguments are those of economists, philosophers, these '-ists' and those '-ists', who decorated libraries of the bourgeois world with their bigger and bigger books!

Coming to the Indian '-ists', their special criticism is that 'Marxism is a foreign theory. Hence it is not useful to India".

To all this 'trash', workers who know Marxism can very easily give answers.

True, there is no 'use'(profit) of Marxism for the 'bourgeoisie'! Yes, it a big 'loss' to the 'profit' due to Marxism!"

Yes, Marxism is one 'sided'. It 'sides' 'justice'! Yes, it is partisan. It is partisan toward 'truth'. Will any theory take only one side or two sides? Will it take the side of 'truth' and 'untruth' as well? There will be no such theory. Even the theory of bourgeoisie is also one-sided. It sides exploitation. That too is partisan. It is partisan to the exploiting class!

Is it the fault of Marxism if it is not present among the workers of the western countries? If Marx is not present among the workers, it means that those workers are drowned in the 'ideological mud of the exploiting class'. It means that it would take some more time for them to open their eyes toward the theory that liberates them. It does not, however, mean that the theory of liberation itself is wrong.

It means that wherever rents, interests and profits are present in one form or the other, there is exploitation. It means that the surplus value of the labouring class is going to the exploiting class. It also means that wherever there is 'exploitation', its opposite theory is also most essential.

'Marxism' is not a theory of a given country. It is a 'theory of the human society'. The 'native Vs foreign' distinction does not apply to a medicine that heals a 'disease'. Similarly, distinctions of 'nations' do not apply to Marxism that fights 'exploitation'.

Marxism is the path of liberation of labouring class. Hence, false propaganda by the bourgeoisie is very natural. It is very much needed for them.

## 2) What about Russia and China?

When we say 'Marxism is the theory of labouring class', the question 'then what about Russia and China' inevitably arises. We should not evade it.

Russia and China initiated the construction of 'New' societies along the revolutionary path. They proceeded few steps. Gradually they abandoned the revolutionary path and turned backwards.

We are obliged to question 'why did it happen so' and search for the causes. But, will we come to the conclusion that Marxism is wrong, just because things have happened like that? Is it the fault of Marxism, if an individual, an organisation, or a country which begins to follow Marxism without abandoning the bourgeois system, is pressed between the two systems and finally abandons Marxism?

Here three things are important: Marxism, labouring class and its leadership. The fault lies in any one of these three things.

The proof, namely, the hatred of the bourgeois class toward Marxism is enough to grasp the fact that fault does not lie with 'Marxism'. Apart from Marxism, there are many more theories available to the labourers. But the bourgeois class is not concerned with any of them. Its entire hatred is toward Marxism only. It won't hate any other theory as it hates Marxism. Through its unstinted hatred toward Marxism, the bourgeois class is declaring that 'Marxism is the only theory that can do good to the labouring class'! Hence, even by understanding the hatred and fear of the enemy, we can undoubtedly arrive at the conclusion that the fault does not lie in Marxism. This is an irreversible proof.

Still, two more aspects remain. The labouring class and its leadership.

Of these two, it is not possible to criticise the labouring class because the labouring class can exist at the lowest possible level in respect of class consciousness. We have to 'train' it from whatever level at which it may exist. We have to 'develop' it from that level only.

True, the role of 'learners' is as important as that of the 'trainers'. Yet, the role of the trainers is the most important in this issue of 'class struggle'.

It follows that fault lies in the 'leadership' only.

'Leadership' is not equivalent to 'Marxism'. It may or may not grasp Marxism correctly. Or, it may swing under the influence of bourgeois intoxication.

The followers should have the capacity to follow and the capacity to criticise the leadership, if necessary. But no such thing will happen if the followers are in a very backward consciousness.

The 'class' will always follow its leadership. When the class has a very low class-consciousness, there prevails a trend to follow the leadership uncritically.

Why are the trade unions of the labouring class following the bourgeois class leaders? It is because, the labourers do not have class-consciousness.

Similarly, if the communist leaders, carrying the labels of 'proletarian parties', are immersed in the service of the bourgeoisie, the proletariat will watch with disinterest and without any anger.

Likewise, even in the countries where 'Proletarian State ' was formed, the proletariat tolerates the bourgeois trends both in the 'party' and the 'State'.

All this indicates that the working class does not possess that consciousness which it ought to possess.

There will be good results if the leadership leads the class in the right direction and there will be evil effects if the direction is not correct.

Hence, in the case of evil effects in Russia and China, one should find fault with the leadership and should not arrive at an erroneous conclusion that the fault lies with Marxism or the working class.

It follows that Marxism did not reach the working class even in Russia and China.

> "...theory becomes a material force as soon as it has gripped the masses."—Marx (On religion, p.46, Moscow 19).

> "In particular, it will be the duty of the leaders to gain an ever clearer insight into all theoretical questions, to free themselves more and more from the influence of traditional phrases inherited from the old world outlook, and constantly to keep in mind that socialism, since it has become a science, demands that it be pursued as a science, that is, that it be studied. The task will be to spread with increased zeal among the masses of workers the ever more lucid understanding thus acquired and to knit together ever more strongly the organisation both of the party and of the trade unions"—Engels (The Peasant war in Germany, pp.28, Moscow edition)

While examining the developments in the class struggle, we should not at all hesitate to draw the conclusion, if necessary, that "this revolutionary path has committed this mistake" or "this path is not at all a revolutionary path". Unless we realise the mistakes committed, there won't be any progress in the class struggle.

'Revolution' is not something which we carry out once and leave it like that. If we introduce a change in society, it won't remain like that forever. The working class should have the consciousness to carry it on forever.

In the history of modern working-class struggle, 'Paris Commune' faced the defeat.

Later, Russia and Chins too faced defeats after some changes.

Still, many defeats here and there. But, there are many experiences which those struggles and defeats gave us.

Let there be any number of successive defeats, the working class will not be in a position to give up the struggle. If there were no struggle, it would have to slide down back to slavery. Struggle is the only way if it has to retain its situation without sliding down and to improve it.

Thus, 'class struggle' is something that always goes on.

It means that the bourgeois class in Russia and China has bought some time for the present to flourish with the past glory!

## 3) Is it not enough if we say 'Marxism'?

So far we have been using three expressions 'Marxism-Leninism-Mao's thought'.

But, is it necessary? Is it not enough if we simply say 'Marxism'? If 'Leninism' is correct, is it not part of 'Marxism'? Likewise, if Mao's thought is correct, is it also not part of Marxism?

Are Marxism and Leninism different 'isms'? Are they 'two isms' not one 'ism'? Definitely, we will also learn that about which we are talking in the name of 'Leninism'. Is it obligatory for it to be a separate ism under the name 'Leninism', if we want to learn it?

Can we take out some thing which is 'part of Marxism' and put it beside 'Marxism' as separate ism? If it is so, we have to go on adding many more isms beside Marxism for the following reasons: There are classes in every country. Along with the classes there will be class struggles and their class leadership. Any good leadership will follow Marxism only. It applies Marxism to the conditions of its country. While applying to its country, the leadership takes up an appropriate programme.

Such a programme may explain and elaborate Marxism. Thus, if we treat the accomplishments of the revolutionary leadership of a country as an ism (as a 'thought') and go on placing it beside the term 'Marxism', then many more isms will emerge.

Suppose there are leaders called Somayya, Venkayya, Ratnamma and Lakshmamma who are applying Marxism correctly in four or five different regions of India and leading revolutionary struggles. Then, do we have to call them 'Somayya's thought, Venkayya's thought, Ratnamma's thought and Lakshmamma's thought?' Do we have to put them beside Marxism with different names? Will all these constitute separate isms?

If all the conceptions of these leaders are in accordance with Marxism, all these constitute one 'ism'. That is 'Marxism'. What they do is to follow and apply that theory. Such applications do not constitute separate isms. If we consider the thought of a good leader as an ism, such isms in all countries will amount to several hundreds and thousands. We have to add all of them one after the other beside the term 'Marxism'. Then instead of all those isms becoming part of 'Marxism', Marxism will become part of those isms; it will become one among them. It is a big blunder.

Therefore, **one term 'Marxism' is enough to refer to the entire theory of the working class.**

Any struggle will be part of that theory.

At every 'stage', 'enemy' will put forward some wrong theory or the other. People who know Marxism will be giving replies to that wrong theory. Just because of that, it will not be a separate theory. All that is part of Marxism.

If any given country accomplishes New Society, it is part of Marxism only.

Marxism will be the social science not only until the 'stabilisation' of the communist society but also after that.

'Marxism' has no limit in the sense of 'up to this point' or 'only to this country'

Thus, **the theory of working class is nothing but Marxism. The entire focus of the world proletariat should be only on the term 'Marxism'. Only then it will appear as a theory that is concerned with all. If each country keeps on adding the theory in the name of its leaders to the term 'Marxism', it does not amount giving due place to 'Marxism'.**

## 4) How should the working people learn 'Capital'?

Suppose some mental labourers like teachers, doctors, engineers and scientists read and learnt the contents of 'Capital'. Just as these workers learnt, the rest of the workers also should learn in the same manner. That is, either read it directly or hear it if others read it for them or explain them.

90% of the working population does not have education. Those who have little education also do not have the habit of reading books. Therefore, we cannot imagine that workers will themselves read "Capital". Then we have the second option only. The mental labourers, who read 'Capital' for themselves and understood its theory, have to undertake the responsibility of reading it to other workers who cannot read it for themselves.

This should be a compulsory programme in workers' unions. To teach "Capital", it is enough to read it out the workers. The person who reads it for workers should first understand its contents clearly. He/she

has to read it and explain things to the workers just as a teacher teaches lessons to the students. The teacher has to clarify the doubts of the students.

If workers listen to the contents of 'Capital' in an order as an activity, they will definitely understand this theory. Let the day to day jobs and other activities go on in their own way. Apart from that, we have to learn and teach this also.

If the working people do not know 'Capital', they won't get the class knowledge connected with the exploitation of labour. They won't know the path of struggle. If the working class does not know 'Capital', there won't be revolution at all. There won't be 'New Society' at all.

Let any longer period of time pass, struggles will go on along the wrong paths. It is the knowledge of 'Capital' alone that can guide the proletarian struggle! That is, Marxism only!

## 5) Marxism in the 'class room'

We can teach Marxism to children from their tenth year and to uneducated people as well.

It is a classroom. There are many toy-articles and some real-articles on the entire mat before the teacher. Grain, fluor, bread, cotton, cloth, shirt, wooden pieces, chair, white paper, book, pencil, pen, glass, pot, shoes, loom, small machine, a silver coin and so on!

The teacher has to show each article to the children and get answers from them for the following questions: "What is this? Why is this? What do we do with this? What is the need with this? What is the need of this? How is this useful?"

The teacher has to tell them that "these are all articles" and explain the use of each article and also the meaning of the term 'use-value'. The teacher has to tell along these lines: "The feature of being useful is inherently and naturally present in the article. An article will be useful in the same manner irrespective of the person who uses." Thus the teacher has to explain the properties of the articles with examples.

The children themselves have to tell the names and uses of some articles.

**Then the stage of 'Exchanges':**

Ravi sits at a place, keeping some pots (toys) in front of him. It is his house. There, he does the work of making pots.

"Ravi, who made all these pots?", teacher's question. "All of us at our home made them", Ravi's reply.

Kamala comes there with grain in a small basket. "We ourselves have grown these grains. We have a small piece of land", says Kamala. "Ravi, will you take this grain and give me a pot?", Kamala asks Ravi.

"Take it. Pick up whatever pot you want. I am also looking for grain" says Ravi.

Kamala puts the grain in a pot and picks up another pot for her.

Teacher: "Do you know what has happened now among these articles? 'Exchange' has taken place. That is, this article has gone that side and that article has come this side. Let us call these articles 'commodities' for a while. Well, Ravi, you have given a pot and taken grain, haven't you? How did you get grain? Did Kamala give you grain free?

"I got grain because I gave away my pot"

"Yes. Well, do you know what is that grain which you got in return to your pot? It is nothing but the value of the 'pot'. Its full name is 'exchange value'! When you 'exchange' your article with another article, the 'exchange value' of your article will be that article which you got in return to your article. Let us call it shortly 'value'. Now, can you use the pot which you have already sold away?"

"How can I? It has already left and grain came in return to it."

"Well, can you at least use grain?"

"Yes, I can use. It is with me only"

"This means, the use-value of pot has gone and its value has come. Are we able to see the 'value' of the pot?"

"We are seeing grain, aren't we?"

"It means we are seeing the 'value' of the pot. What is its form? In which form did you get the value of the pot?"

"In the form of grain"

"Suppose you give pot and take 'shoes' instead of grain. Then what will be the 'value' of the pot?"

"Then shoes themselves will be the pot's value"

"You have answered well. Then what will be the form of pot's value?"

"In the form of shoes"

"Well, now, let me ask Kamala. Kamala, do you have your grain with you?"

"No, I have given it away to Ravi and taken the pot"

"How did you get the pot?"

"Because I gave grain, I got the pot in return"

"Then, do you know what is the pot that you got?"

"I got the value of my grain"

"what is the form of grain's value?"

"It is in the form of pot"

"What would have happened if you had taken jaggery instead pot?"

"Then, Jaggery itself will become the value of my grain. Then the value of my grain will be in the form of Jaggery"

"You have also answered well. Children! Any one, whoever knows, can answer my questions"

The teacher should make other children to do exchanges and ask questions!

The teacher has to tell the children repeatedly that, whenever an article is given and another taken, the latter article itself stands as the value of the former article. Each time the teacher has to tell that value comes if the use-value goes and use-values come if the value goes. By now, article and commodity; use-value and value will be easily understood.

All this is a process to explain what money is.

Now, the stage in which exchanges do not occur smoothly

Kamala comes with a basket of grain to Ravi and asks, "Ravi, give me a pot".

"You have brought grain? Well, we don't want grain." Ravi.

"You don't need grain? But we want a pot! Yesterday, our kids were playing and jumped over the pot and broke that beautiful pot. Well, tell me what you want. I'll get it and take a pot from you"

"I want jaggery. We don't have jaggerry at home"

"Wait, I'll get no time", saying this Kamala goes to the nearby jaggery fellow Gopanna and asks him thus, "Gopanna, take my grain and give me jaggery. I have to get a pot. Our kids fell on the pot while playing. They broke the beautiful pot."

"We don't want grain now"

"You too don't want grain? Very nice! Well, then tell me what do you want. I will get it and ..."

"I want shoes"

"Shoes? It is simple. Wait, I'll get it now itself", saying this Kamala goes to Radha who has shoes and asks her, "Radha! Take this grain and give me shoes. I have to give them to Gopanna and take jaggery. I have to give it to Ravi and take a pot. Beautiful pot. The kids have broken it by jumping over it. I have lot of work to do. I have to go. Give me shoes".

"Alas, we don't want grain, Kamala"

"What is this? Why all people are saying, they don't want grain". Kamala stood sad.

Teacher came to Kamala and asked,

"Kamala! What is the matter? Why are you like this?"

"I want a pot. No one wants grain. I don't know how to get the pot".

"Oh, is that your problem? Don't worry. A system has come recently", saying this the teacher took out a small rounded silver coin. "Take this and give me your grain. Your problem will be solved."

"What is this? I want a pot! Why this coin?"

"Do you think this is an ordinary coin? This is money coin! Money! You know this?"

"Money? What is money? I have never heard that word?"

"This is coming newly?"

"What is it for? What do they do with it?

"Find it yourself. Give your grain to me and take this. Giving money and taking an article means 'buying'. If you give an article and take money, it is 'selling'. That is, I gave my money and bought your grain. Whereas you sold your grain for the sake of money. Later, if you take this money and give it potter 'Ravi', he will give you the pot".

"Will Ravi give a pot, if I give this coin? But he said he wants jaggery! Why will he take it?"

"He will get jaggery with this coin. If Ravi gives this to Gopanna, the jaggery seller, he will give jaggery to Ravi"

"Why will Gopanna also take this? He told me he wanted shoes?"

"Gopanna will give this to Radha and get shoes. We can buy any article we want with this. Take this and give it to Ravi and get the pot"

"Will Ravi take this? Will he not throw back this coin on to my face and say, "shall I give a pot only for this coin?"

"Oh, you are crazy. You have too many fears. Well, why don't you go and try once. You will know what will happen"

"As you are suggesting this, I will go. Please give me the coin".

The teacher gave that coin and took grain in return.

"Kamala, do you know what has happened now?"

"What happened?"

"An exchange between your grain and my money took place"

"Exchange takes place between two articles, isn't it?"

"Yes, here also there are two articles. What do you think the material with which this coin is made? With 'silver'! Silver is also an article, isn't it? Hence, this coin too is an article"

"It means, this is also an exchange"

"Why not? Giving grain and taking this silver coin is the same kind of thing as giving your grain and taking the pot. You gave your article to me and took my article. That's all. But, you should not get this coin melted to make a chain to wear! If you do like that, there will be no way to get a pot".

"I don't want either chain or any other damn thing. I want a pot, you know!"

"You will get it in a moment. You will watch it yourself! Suppose we named this 'rupee'. What will happen then?"

"It means an exchange took place between out grain and your rupee-coin!"

"Now, what is the 'value' of your grain?"

"This rupee-coin only, isn't it?"

"What is the form in which you got the 'value' of your grain?"

"In the form of this 'rupee coin'"

"That is, in the form of 'money'! The money that you get in place of your article is the price of that article! Now tell me, what is the 'price' of your grain?"

"One rupee"

"You have answered well. Now, do you know what you have with you?"

"I have money, a rupee with me"

"Oh, how correctly you have understood the matter!"

"Well teacher, how did you get this coin?"

"Some people gave it to me because I taught them"

"How did they get it?"

"They sold some of their articles! Suppose the buyers of these article had some silver. They might have turned it into a rupee-coin and gave it to them"

"Oh, I see! This is the way that money comes!"

"Let's go to Ravi"

Both persons go to Ravi.

"Ravi, I brought 'money'...will you give the pot?", said Kamala hesitatingly.

"Money? Where did you get money?"

"I sold the grain"

"Oh, I see! Recently many people have been talking about it. I have not seen it. How does money look like, Kamala?"

"Look, here it is"

"What is this? Is this coin money?"

"Won't you take it?"

"Why don't I? You want a pot, isn't it? Pick up a pot, whichever you want"

"Thank God! I was terrified that you might scold me, looking at this coin. So, you are going to take this! What will you do with this?"

"I give it away and get jaggery. Yesterday when I took the pot and asked for jaggery, Gopanna said he did want the pot. Now he will give jaggery if I give this"

"Oh, I see! This means all people take this! How interesting this coin in?"

"Have you understood at least now that this is not an ordinary coin. This is a money coin! A rupee coin! You got a rupee when you sold your grain. With that rupee, you bought a pot. The rupee has gone to Ravi. Ravi gives it and buys jaggery. Gopanna will again...thus it goes on and on from one person to another. Could you get the pot if there were no such system?"

"You have explained nicely. I have been roaming with the grain since the morning. Owing to the goodness of this coin, work has been done easily. I don't know who invented this system; this is very good"

"True, this is very good. But we have a problem here as well. Suppose you give your grain to Ravi and take the pot. Both of you will know very clearly that his people are using the grain which you people grew with your hardwork and your people are using the pot which his people made with their hardwork. Now, see what has happened due to this coin. You gave me grain and took the rupee from me. With that rupee, you took the pot from Ravi. Don't you see a distinction between this and giving grain directly to Ravi and taking the pot from him? This coin came in between the grain and the pot."

"True. What can we do if no one takes our article? The problem is solved at least due to money. It is greater than any thing"

The teacher has to show not only one coin of a rupee but he has to show 2 or 3 coins and half-rupee coins as well. There should be exchanges and questions with those coins as well.

**Now the stage of 'Paper money':**

The teacher shows a silver rupee and asks Kamala thus, "This coin daily moves in the hands of many people, isn't it? Suppose it gets worn-out a little. Then will any one take this? Will you take it?"

"Why shouldn't we tCke? How are we concerned with its weight? We will not get it melted and made into jewels; then what do we lose even if it gets worn-out a little?"

"You have answered well. You say that we can conduct exchanges by means of the worn-out coin, if we circulate it like a rupee. Okay. Then why do we have even this worn-out coin? We can even remove it from circulation and put a piece of thick paper as 'rupee'? Why don't all people treat is as a 'rupee' and conduct exchanges? Then, we will have 'paper money' instead of 'silver money', isn't it? Why should we circulate silver coins and make it worn-out coins?"

"Paper money? This is very strange! Will anybody give their articles if we give a piece of paper?"

"Why shouldn't they give? When these people give this piece of paper later to others, others will also accept it, won't they? Will it not be enough if all of us treat pieces of paper as rupees?"

"True that any system will be alright if all people agree on one thing"

The teacher takes out a paper rupee note and shows it to all the children. "This is paper money! Paper rupee! Look, I am going to buy jaggery with this note. Gopanna, take this rupee note and give me jaggery"

Gopanna took the paper rupee and gave jaggery. "I bought jaggery. Gopanna sold jaggery. Now, what is the 'value' of jaggery?"

All children say, "Paper rupee".

"If we give one article and take another article, what is that 'another' article?"

"Value of the first article", say the children.

"If we give one article and give paper rupee instead of another article?"

"It is also the value of that article", say all the children.

"Wonderful! You have answered wonderfully!"

Likewise, we can explain everything from 'Capital' to children and workers. We have to collect all the articles (toys) necessary to explain a given lesson. We have to write down the content of the lesson in the form of 'conversation'. It has to be in the form of 'questions and answers'. The teacher should teach children in such a way that children should be able to give answers to the questions which he asks. Depending on the context, the teacher has to give more details than what is originally written.

The teacher has to explain all the things that are necessary to make an article.

Raw materials and instruments of labour:

"Ravi, how do people make pots?"

"With earth"

"Can't we make pots without earth or any other thing?"

Children laugh. "How can we make them?"

"This means, we can make pot only if there is earth. That is, earth is the 'raw material' for the pot. Then, how do people turn earth into a pot? With empty hands? Will there be any other thing?"

"There will be a wheel..., Ravi gives all those details. The teacher has to show a toy-wheel to children. "This is an instrument of labour. To make pots, we need this instrument also in addition to earth. Well, all these things will be there. Will the pot be ready if we put earth and wheel at some place?"

"No, we have to do 'work'"

"That is it. That is 'labour'. Articles are made only if we do labour".

"Then what raw material is necessary to make a chair?"

"Wood! Wood!"

"You have answered well! Well, what do we need to make a shirt?"

"Cloth! Cloth!"

"Wonderful! You are answering very well. Not only cloth. The yarn that is used to make the shirt is also a raw material. Whereas 'needle' is an instrument of labour. Even the scissors that cuts the cloth is also an instrument of labour. That is it! But, no articles are made with some kinds of labour. Take 'driving the cart'. What article is made with this 'work'? No article is made. But some 'work' is done. People who get into the cart go from one place to another. There won't be 'raw material' in this work. But there will be 'instruments of labour'. Cart is also an instrument of labour. Oxen are also instruments of labour". Thus we can explain everything.

The teacher should explain the fact that "means of production do not give greater value than their original value".

While explaining the value of an article in terms of **c+v+s**, we should have three bags: a bag of **c** products, a bag of **v** products and a bag of **s** products. In the work place, we have to consider **c** bag and labourers.

The labourers use **v** at home.

At the time of completion of the 'production process', there will be three bags.

"Suppose some grain is grown in a given piece of land", saying this, the teacher should divide that grain into three parts: **c+v+s**.

The teacher has to show that the portion of **s** goes to the fellows,

who sit on the chairs without doing any labour, in the form of rent, interest and profit. Three children have to sit on the chairs and receive those parts.

All the commodities together form a 'mass of commodities'. The total of commodity prices is the 'value' of that mass. If we deduct **c+v** from it, **s** remains. This is the **s** that all the labourers together gave.

The wage of the labourer is part of his labour only. But, it appears as if the capitalist himself is giving it from his pocket.

Likewise, all that goes to the capitalists belongs to the labourers. But it appears as the hard-earned income of the capitalist. All this is the 'secret of capital'. The teacher should explain all these aspects.

By understanding properly every chapter in this introduction to 'Capital' and by writing down briefly the summary of each chapter, we can explain it in an order to the workers. It is not an impossible thing. It is very easy.

The teacher has to first learn things well. The teacher has to collect some toys and keep them in a bag. Those articles should be in accordance with the lesson to be taught.

If we don't teach the knowledge of 'Capital' to the labourers, there won't be any use if we simply use such superficial words as 'Exploitation! Exploitation!'

The primary task in the 'class struggle' is to explain the concept of exploitation in an intelligible manner to the labourers. We have to evolve as many methods as possible to fulfil this task.

## 6) On reading 'Capital'

'Capital' has a logical sequence.

The author of 'Capital' begins with 'use-value', discusses the 'form of value' and gradually explains the fact that 'money means labour only'. He talks about the 'surplus value' only after talking about 'value'. Later, he explains in a succession how all the parts of 'surplus value' go to various fellows under various names. Finally, talking about 'classes' he categorises labourers who receive 'wages' as one class and the exploiters, who extract 'surplus value' as another class.

The sequence in which these contents occur is the most appropriate way of presentation.

Will it be intelligible if the author begins to talk about 'rent' or 'interest' in the very first chapter and say 'this is part of 'surplus value'? By then learners will not have understood 'value' and 'surplus value'.

The categories of interest and rent have been there since the past. Profits and wages came subsequently. But, it is not at all possible to explain these categories in the same manner in which they appeared in history. Though interest and rent have been there since the beginning, the understanding of these categories became possible only through an understanding of 'Capital'. Hence, it is possible to explain the portions of 'surplus value' only after explaining 'value' and 'surplus value'.

But, some readers, without understanding the logical sequence of 'Capital', opine thus, "Land is primary to everything, isn't it? Then, shouldn't we talk first about the landed property and rent?" or "shouldn't we talk about 'rent' first?. This kind of notion is prevalent primarily among the capitalist economists. Referring to their method of presentation of economic categories, Marx says the following:

> "...nothing seems more natural than to begin with rent, i.e. with landed property, since it is associated with the earth, the source of all production and all life,...but nothing would be more erroneous. ...Rent cannot be understood without capital, but capital can be understood without rent. Capital is the economic power that dominates everything in bourgeois society. It must form both the point of departure and the conclusion and it has to be expounded before landed property. After analysing capital and landed property separately, their interconnection must be examined. ...It would be inexpedient and wrong therefore to present the economic categories successively in the order in which they have played the dominant role in history." (A Contribution to the Critique of Political Economy, pp.212-13).

Therefore, we have to properly understand the main sequence of themes in 'Capital', their organisation and the interconnections of the chapters.

Some issues in 'Capital' are in greater detail and some are in lesser

detail. This kind of unequal treatment of themes is not uncommon to any writing. Based on the issues that have been discussed in greater detail, we have to understand other issues which have not been discussed in greater detail. Based on what 'has been said', we have to understand what 'has not been said'!

If we expect the writer himself to say everything, it is not possible for any writer. If he were to write about everything, there won't be any need for the later generations of the society to think. If the beginning generations of people have to tell everything, it won't be necessary for the subsequent generations of people to have 'brains'.

When we started reading Marx's 'Capital' about 25 years ago, it was so confusing that it would not be possible to describe that 'difficulty'. We used to get frustrated. Also we used to get angry with Marx thus, "Alas! What is this! What sort of style is this! What sort of person he was? Why did he have that long beard at all? If he had such a long beard, whole of his time would go copying with the discomfort of that beard. How could he write easily?-thus, we used to blame his beard for his difficult style and started reading again with a moan. It was not clear how far we went in the text. Everything, both that was read and that was not read, seemed identical. If at all we understood one sentence at some place, the entire unhappy mood used to vanish. The sentence that was clear used to be so wonderful. "We should not get angry with Marx any more. We have to read patiently. That is what we have to do. He had many problems, financial difficulties and ill health! Moreover, the style of those days was like that..." 'value' and 'surplus value'¾reconciling thus, we used to give up our anger! But, after a page, again great confusion!

The sea has a quality. A wave comes and falls on the feet of those who stand on the shore and drags them into the sea. When we lose all hopes and open our eyes helplessly and ready to sink in the waters, another wave throws us out of the sea to the shore. While we struggle on and get up, another wave will again take us along with it.

Similarly, it was a life and death question with 'Capital' at every page.

It is a song in an unknown language. It appears as if a traveler with long beard is singing, accompanied by tambourine, tenderly and melodiously in some language. It is clear to us that he is singing with

compassion, anger, valour, agony, sorrow and love. We don't know the language. We understand that he is angry with some one. We understand that he is showering love on somebody. We do not know why and what. But, what can he do? It is his language! We have to learn it! We have to learn it by wording with it again and again! What could he do if we do not know the language?

Marx takes us along with him with great affection like a bird that takes its chicks under its wings. He will be saying many things. The mood will be alright for some time. Suddenly some thing happens. Like a bird that leaves its chicks and chases the falcon, Marx goes away chasing the capitalist economists. We will become lonely beings suddenly. We will turn into little children who are lost in the jungle. Having chased the falcons, he comes back after a long time and says wrathfully, "We have to chase these fellow wherever we see them".

"Mother, it is not clear to us why you fought with them"

"Is not clear? Is it so? My dear chicks, they are very bad people! They are deceiving you. You should learn things; otherwise how do you live? All things will be clear if you grow little older, don't worry!", saying thus he takes us along with him.

Now it is really very easy to understand 'Capital' compared to those beginning days. Now it is indescribably amazing to read it again and again. "It is so easy! Is this the same book which we became so impatient with?", thus it is unbelievably surprising!

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Chapter 5

# An Imaginary Picture

It is a 'liberated area'! The construction of the 'New Society' has begun. Workers—men and women, young and old—are behaving with great discipline.

"Let us build our own society! Let us abandon their society! Society is yours, mine and ours!"

"Land does not belong to anyone!"

"Also, it is not ours either!"

"Land is part of 'Nature'. Let us use it"

"Let us not be servants!"

"Let us not be masters either!"

"Labour itself is self-maintenance"

"Labour itself is self-protection!"

"Labour itself is self-respect!"

Slogans of this sort are spread over across the work-places, houses and streets of the labourers.

Demanding that all men and women of the capitalist families should come into labour, the 'workers' organisation' of the region issued a 'statement' as follows:

"By converting the entire life time of the labouring people since thousands of generations into labouring time, you converted your entire life time into the leisure time.

According to you, for some always labour! For some always leisure!

But, according to us, Labour to all! Leisure to all!

Stop your leisure of all ages!

Come into 'labour' voluntarily!

A non-labouring person has no eligibility and no right to stand in the 'human' society.

All those who are opposed to 'labour' can go to uninhabitable regions where there is no semblance of labour.

All this 'Nature' is not our own. You can go anywhere: hills, valleys, seas, skies or any other place that has no connection with our labour. We have no objection. Our entire objection is to maintain the 'gang of idlers'.

That we did for generations. But today we have opened our eyes.

Our society will not tolerate non-labouring human beings even for a single day; even for a single day. Think about it! Decide early!"—This was the statement!

There was some 'move' among the gang of idlers. All those who are not lazy to think favoured to do 'labour'. Especially the women and

children of those families have rightly realised that there was no other way for them to go.

Rejecting the New society, the bourgeois men, who were lazy even to think, have started to go into jungles.

For a few days their wives and children carried food and clothes for them. The workers knew it and kept quiet.

The workers' organisation began on a large scale teaching Marx's 'Capital'.

Except during the work, throughout the remaining time (sometimes during working hours also), all people—men and women, young and old—are not talking of any other thing except the lessons of 'Capital'.

"The features of a commodity"

"Use-value and value"

"Money is also an article"

"Money means value. Value means labour. That is, money means labour."

"Money that goes in return to the commodity is the labour spent on the commodity"

"Instruments of labour do not give surplus value"

"Labour-power alone gives surplus value"

"Rents, interests and profits constitute surplus value"

"The working class itself is maintaining the capitalist class"

These sentences are appearing at the work-places, in the homes and streets.

To those who sat in the forest and were receiving food every part of the day and reciting philosophies, their own children, one day declared, thus: "No question of bringing food free for you from tomorrow. We have come today only to tell this"

While fathers were shocked at the words of their children, the children completed the remaining part of their declaration: "Society means, a combination of many labour powers. Human life without labour is like an animal life. We know a lot because we are reading Marx's 'Capital'. Many kinds of labour should take place if the society has to survive for a

single part of the day. We have to carry on agriculture. We have to carry on industry. We have to carry on transportation. We have to do many more productive and unproductive labours.

'Every person should do labour for himself/herself'—how correct is this principle! All these days our families have gone on a wrong path. We believed that you people alone maintained us and enabled us to receive education. But, after reading 'Capital', we realised that we have reached this stage only due to the labour of the workers. Can't you rectify your mistake even now? Okay. We will not come from tomorrow. We will not chorus with your wrong-doing", saying thus, the children left the forest.

Since then, philosophical discourses in the forest increased further.

Among those in the jungle, Somayya has been in a dilemma since the beginning "Into the village or into the forest". He has been appreciating communists right from the beginning thus, "To be frank communists have left us alone because they are very good people. If we were in their position, we would have hunted and hung them". He was pestering the other fellows thus, "It is better to go into the village. How long will we rot like this in the forest? He heard through children about the changes that workers have been introducing and was amazed at them.

But Ramayya, who was staying along with Somayya, put all his hopes in the 'collapse' of the New Society. He wanted to go to the village immediately after its collapse. "They are stupid! Is that administration? Let us see how long will they continue! By now factionalism and internal fights might have begun. If not now, after ten days at the most. The atheist-scoundrels! God will be watching their wicked acts. 'Sin' should ripen for any thing. It is of no use to be in a hurry. Though communists criticise us, it is only they who do money-lending business and tobacco business. They go hand in hand with the landlords. Today's communists are tomorrow's bourgeois, you know? What is great with them compared to our tradition? These stupid fellows build monuments for their martyrs as big as our temples and shrines. See if thy continue to rule for one more week." —He was saying all through like this.

Somayya talked very long with others: "we came here with that hope only. But you are not observing other things that have been taking place. There might have been some fake communists in the olden days. But now no more money-lending or landlords. They have distributed the

lands of the landlords. They declared that they won't repay debts both native and foreign. You think that way because you don't know about this leadership. It is said that they introduce every change after a discussion by all—men and women, young and old—at the work places. Didn't children tell us daily about it? Can we understand it at all, if all the persons who do not have a single alphabet in their mouth (illiterates) participate and say "let us do this in this way", "let us do that in that way"? They have closed down the stock-exchanges in one day after they came to power. Can we imagine this even in a dream? Could we believe that society can exist without the sales of shares? They abolished all night-watchman work. Yet there isn't a single theft. Did we rule even for a single part of the day without thefts? All the domestic labourers are going to agricultural activities. People at our homes have no other go except to do their household chores themselves. Did our children ever wake up before 8 in the morning? Except putting their feet from beds into shoes, did they ever walk on the floor? When 60 or 70 year old servants roam behind our children to serve, did we ever question ourselves 'is this a fair thing?'. Today, they are protecting their self-respect. Our children, who had never kept their feet on the ground, are now happily going to the fields and factories and doing work. They are considering it as their responsibility. Our children, who had never bothered about our advice, have today stopped cigarettes and going on jolly-strolls. All these people collectively decided not to grow tobacco any more, It is said, they have demolished all the tobacco barons!

Look at our women! Did our women or ourselves manage things without the help of domestic servants? What are our women doing today? Did they ever wear garments without jewellery? Those, who used to leave their bodies to colouring and jewelry and roam hurriedly in cars around clubs in the name of fashion show, dog show, this show and that show, have abandoned cosmetics like snow and lipstick, and are going to work in workers' uniforms. They are really getting rid of all their sins.

Do we understand all this easily? Is it not true that we had exploited the labouring class for generations? I am trying to understand this truth. We have created luxuries even in heaven as if enjoyment and wealth on the earth are not enough. Imaginary heavens are meant only for those who cannot turn the earth into heaven, aren't they? They (the communists)

are turning the earth into heaven. What do they have to do with god? In their world, even god has to do his own labour!

They have really grasped the root of the society. There is no doubt that they would establish themselves. If they face defeat, again there will be our capitalist world, right? Our bargains, our orders for commodities, our wars and everything like that.

Here we don't have food, clothing and housing. Why don't we have them? We have neither our own labour nor workers' labour. Whatever article you want, 'labour' is required. It is surprising to see that 'labour' is so much needed. There is no way of living for a human being to live as a human being if there were no 'labour'. We lived so far just because we had the labour of the workers. But, what about future?

Think about it! Is it not fair on our part to do some work or the other? They are asking us to maintain ourselves. What more are they asking us to do? Why do we have conflicts, if we also do labour? Shouldn't we be ashamed to say, 'We will not do any work. You only do all the work?' Think it over!"

"What are you talking?", Ramayya at once rose against Somayya haughtily. "I have shares in 63 companies. I have 18 cars, 2 own aeroplanes. There used to be 16 servants at home. 4 people used to exclusively take care of dogs. You might not be aware of so many comforts and wealth! Otherwise, you won't have talked like this so easily", said Ramayya angrily.

"May be it is true! Perhaps, I too would have behaved like that if I had so much property. Perhaps I might be thinking this much just because I don't have so much property! Do you still believe that all your property is the result of your hardwork?"

"Why not? Had it not been hard-earned property, do you think that we went to their houses in the nights and stole their property?"

"Why do you need to go in the nights, when there is a way to loot in the day time itself? I too thought the same way all these days: that my property is my hard-earned one and that it is our right to be 'owners' and so on! All this we can do until they open their eyes. Marx had already proved that out property is not ours! They have understood it! We will be relieved of this pain only if we too understood the fact. Are we foolish?

Are we powerless? Can't we do any work? Can't we live along the path of truth?

"I think you are very much scared. These fellows cannot continue any longer! At the most..."

"Okay. You be with that hope only! As far as I am concerned, I have decided to go. Instead of roaming like a jungle animal to evade 'labour', it is a very great thing to live with fellow human beings, sharing their joys and sorrows. We have already committed many mistakes in life... I can't stay any longer without seeking the pardon of the workers. ...I am leaving"

"Then, you will also be my enemy"

"Yes, you have realised very well"

* * *

People in the village are gathering to watch the evening show. Any batch can sing songs or stage plays. Those shows have been going on since many days. Some people staged shorter plays based on the stories connected with the 'slave society'. Some people staged plays based on 'atheism'. After the show is over, criticism or condemnation of mistakes if there are any will follow. Usually, all performers get compliments only.

A play had begun on that evening. A batch of people was performing the scene when a capitalist refuses to do labour.

All those who were far away came closer to the stage.

"Do you know how much capital do I have in different countries?", the capitalist said in a roaring voice.

Yes, we know. Whatever happened to you here, the same thing is going to happen to the capitalists of all the countries. The labouring class is going to erase the frontiers of all the countries. There will be only one world! Natural and pure world! Labour, comfort and knowledge! The New history is going to demonstrate all those scenes".

"No, No! We don't want all that. Didn't Marx say that the capitalist played the historical role?"

"Did Marx say that much and stopped there? Didn't Marx say that the capitalist should not stay on the stage after he enacts his role? Your

role in the history is over. History is marching forward. Now, except the labourers, the old classes do not have place in the New history. If you still want to remain in the history, you all change into a 'worker'! Come on, hold this spade".

"Me? Spade? Should I hold it? Aren't you here to hold spades and shovels? All that work is what you people do! My job is to manage 'capital'! Do you know how 'nerve racking' job that is? Headache, day in and out".

"If it so headaching, Why don't you get rid of it?"

"Will the world change if you change it? Have you forgotten what has so far happened? New history and new roles mean new headaches! How nice the sequences of the history so far passed! The same history again and again! You know, I am going to invest 'Capital'! You know, you are going to do work!... Wages for you, profits for me! Each of us will get whatever is due to us! If you forget the whole thing and resort to revolts like this, I will not accept it. If you want, you can ask me to raise your 'wages'! You can ask me to provide drinking water in the workplace! I'll think about it. I will give reply to your union leaders within three months".

"Enough! Stop it! You are thinking that the power is still in your hands. You have become insane. Will get down to work along with us or will you go in to the forests?"

"Police! Police! Come quickly! Arrest these people!"

A police in the workers' garments appears. "Now there are no policemen who will defend your capital. I am the proletarian policeman. I am also a labourer. Until a while ago, I too worked in the field. If you too enter into the work, it is okay. Otherwise we have to arrest you and make you work forcefully".

"Is this dictatorship?"

"Yes, this is dictatorship. There won't be any dictatorship if you voluntarily change. Otherwise dictatorship is inevitable. It is not we who decide whether you want freedom or dictatorship. You decide it yourself!"

"All that is unnecessary to me. You know, I am going to invest capital and you know you are going to do work..."

"Then, you know, we are going to kick you and throw you out...", saying this the workers chase the capitalist.

The capitalist falls down and gets up at once. The workers push him down. He rises again with a great effort.

When there is a threat to 'profit', the capital does not hesitate even if its master gets 'death sentence'. The capitalist, who is the embodiment of 'capital' tried to retain his place.

Finally all the workers surround him and catch him.

The entire audience rose with claps and laughs and gathered around the capitalist.

"You have done well, comrade! You did exactly like a capitalist. You have the characteristics of a capitalist in your heart", the audience made fun of him.

Amidst those laughs, nobody noticed a person who stood a little away from them.

That person came over there when all people were immersed in the play. He was with spoiled clothes.

All people then noticed him, who stood little away from them silently. Some people recognised him as Somayya!

"Who are you?", asked a woman.

"I am an ordinary human being"

"In our theory there are no ordinary human beings except 'class' human beings! Which class human being are you?"

"Forgive me. Accept me as one among you. Let me live as a proletarian human being!"

All were silent.

After a while, another woman said, "well, all of us are going to our homes. You too go to your house. Take rest for a couple of days"

"Please say that you have forgiven me"

"...we can't say now itself"

* * *

The capitalist, who is still in the forest, is wandering around with torn clothes and grown up beard.

Whenever he sees some one in the forest, he keeps asking them, "what are they doing in the village". That day too, he ran to the person who he saw at a distance. "Isn't any thing happening in the village", asked curiously with a desire to hear good news!

"Why not? Lot many things are happening. We have been discussing the abolition of night work for the past one week."

"Will you abolish night shift? Won't the machines lie idle?"

"Yes, they do. But machines are meant for human beings; human beings are not meant for machines"

"Who is teaching all this to you?"

"Marx had already taught a long time ago"

"Do you also know Marx?"

"Not only Marx, I know Marxism as well. Not only me; even the breast-fed kids too know it. Talk to them and you will know what they say!"

"What will they say?"

"Ask them yourself!"

"Who is your leader?"

"What do you mean by a leader?"

"One who knows Marxism well"

"Then all of us are leaders. What is Marxism? You have fled only to escape from the labour, isn't it? To know this is Marxism"

"Who among you give lectures well?"

"All of us do, if necessary"

"Who is too silent and serious?"

"All of us do, if necessary"

"No use with you"

"Yes, no 'use' for you with us: Now, I go. I got all the leaves required. Oh, king of the forest! I am going. By the bye, what happened

to all your shares? Are you getting good dividends?", saying thus, the labourer put the basket over the head and left.

'Ramayya of forest' sat down displeasingly under the tree and immersed in a long drawn thought. He got up after some time. "Yes, it is not a clever thing to sit here. I have to stay there itself and strike them. I will see their end by staying with them. I don't think the time may not come", thinking thus, he took the path that leads to the village, with big leaps and new strength.

* * *

The evening show has begun in the village. Rajanna, a 16 or 17 year old boy, is doing monoaction. He held in his hand, papers on which he noted down lines from 'The Manifesto of Communist Party' and he was adding his own words while doing monoaction.

"A spectre is haunting society—the spectre of Communism."

"The weapons with which the bourgeoisie felled feudalism to the ground are now turned against the bourgeoisie itself.

But not only has the bourgeoisie forged the weapons that bring death to itself; it has also called into existence the men who are to wield those weapons—the modern working class—the proletarians."

"Now and then the workers are victorious, but only for a time. The real fruit of their battles lies, not in the immediate result, but in the ever-expanding union of the workers."

"They have nothing of their own to secure and to fortify; their mission is to destroy all previous securities for and, insurances of, individual property."

"The proletariat, the lowest stratum of our present society, cannot stir, cannot raise itself up, without the whole superincumbent strata of official society being sprung into the air."

A commotion began among the audience. All of them are looking at the person who is coming from a distance. "King of the forest, king of the forest", they told each other.

The king of the forest is looking very thin like a skeleton with his torn and ragged clothes and long hair and beard.

But nobody took pity on him.

He came nearer to them and stood there.

All people maintained silence. He concluded that nobody would talk to him.

"Give me some work", he said after a while.

"Aha! The capitalist is asking us for work", said a girl.

"Work? Do you work?", said another girl.

The king of the forest did not reply.

"What work can you do?", asked another girl.

"... ..."

"Do you know tilling"

"No"

"Digging?"

"No"

"Wood-cutting?"

"No"

"Cooking?"

"No"

"Pounding?"

"No"

One worker said impatiently, "Why the list of things that you don't know, tell us what you know"

"He knows only swallowing", said an elderly woman.

The king of the forest put a weeping face and said, "I don't know any work. What should I do?"

"Again go over there and do penance. See if god maintains you even if you don't do any work", said one person.

"If you do penance, god will come and ask you 'what you want'. Ask for a 'pot of nectar' (amrutakalasam). You will get everything in it. All these are the stories which your poets described, right?", said another person.

"How did you live so time without knowing any work?"

"The profits, which my capitals fetched, maintained me", said the king of the forest with false pride.

"How did profits on your capital come?"

"What is this question? I got it if I added over capital"

"It is wrong", shouted a twelve-year old boy. He rushed forward as if was jumping on to the king of the forest and said, "Even if you add profit, it is part of 'value'. Profits, interests and everything are part of 'value'. The entire thing is the labour of the labourers. Read 'Capital', you will know it"

The king of the forest stood petrified.

The audience left the king of the forest and moved toward the play.

"Tell what work should I do"

"You have not said what work you know?"

"I don't know any work. I did not do any work"

"Then how will you do it?"

"I will learn"

"You had many cars, didn't you? Do you know how to drive a car? Was it also driven by the drivers?"

"I know it"

"Okay, you need to drive some vehicle....At the moment it seems your health is not good. We will discuss your matter after you take two-week rest. You can do the work of a post-man. Or you can even do the work of sweeping the streets. All these works are not only for you. All of us will do as per duties".

"All of us will do", these last words did not enter into the ears of Ramayya.

He beat his chest lamenting within himself thus, "should I, who own shares in 63 companies, 2 planes and 18 cars, do the work of sweeping the streets?" Though the whole lamentation appeared like a print on the face of Ramayya, the workers have ignored it.

The king of the forest hung his head and sat down on the floor.

The people turned again toward the play.

A girl made an announcement: "Comrades! Tomorrow evening, 12 comrades will perform a play-let entitled "A world without the Capitalist", written by Mr. Somayya. After that, there will be a long play entitled "Comrades in the kitchen", written by Savitri on the male lords who raise hue and cry about housework.

"Now, see the remaining part of the monoaction".

Then began monoaction.

"Hard-won, self-acquired, self-earned property! —...do you mean modern bourgeois private property?

"In bourgeois society capital is independent and has individuality, while the living person is dependent and has no individuality."

"And the abolition of this state of things is called by the bourgeois, abolition of individuality and freedom! And rightly so. The abolition of bourgeois individuality, bourgeois independence, and bourgeois freedom is undoubtedly aimed at—By freedom is meant, under the present bourgeois conditions of production, free trade, free selling and buying."

"You are horrified at our intending to do away with private property. But in your existing society, private property is already done away with for nine-tenths of the population; its existence for the few is solely due to its non-existence in the hands of those nine-tenths. You reproach us, therefore, with intending to do away with a form of property, the necessary condition for whose existence is the non-existence of any property for the immense majority of society."

"In one word, you reproach us with intending to do away with your property. Precisely so; that is just what we intend"

"From the moment when labour can no longer be converted into capital, money, or rent, into a social power capable of being monopolised, i.e., from the moment when individual property can no longer be transformed into bourgeois property, into capital, from that moment, you say, individuality vanishes."

"You must, therefore, confess that by "individual" you mean no other person than the bourgeois, that the middle-class owner of property. This person must, indeed, be swept out of the way, and made impossible."

"The Communist revolution is the most radical rupture with traditional property relations; no wonder that its development involves the most radical rupture with traditional ideas."

"In place of the old bourgeois society, with its classes and class antagonisms, we shall have an association, in which the free development of each is the condition for the free development of all."

"The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a Communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries, unite!"

There was a deluge of inspiration among the audience. All people, except Ramayya, raised slogans many time in a single voice.

**"Workers of the world, let us unite!**
**We have nothing to lose, except chains!**
**....nothing to lose,**
**except chains!**
**.....except chains!"**

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Chapter 6

# Have you become a Marxist?

A last question to the readers!

You have read this introduction to 'Capital', right? Have you simply read it just like that or have also become a Marxist?

What sorts of ideas did you have about 'rich-poor' differences in society before you read 'Capital'? Did any change occur in those ideas due to reading 'Capital' or not?

Do you still think that capitalist society itself is right, eternal and inevitable? Or do you totally reject such an argument?

"Marxism is good but is it practicable?" Do you have such a doubt?

The real question is not whether Marxism is possible in 'practice' or not! The real question is whether that theory is correct or not?

Is Marxism correct or not?

If it is correct, it is also possible in 'practice'. Anything correct is possible in practice.

To make it practicable, 'efforts' are necessary; 'struggle' is necessary. If there were no 'effort' even the correct theory cannot be proved to be correct. We get a correct result only when correct theory and correct practice are combined! Only when Marxist theory and Marxist practice are combined, we get Marxist Society!

What will happen, if there were no 'New Society'?

The presently existing capitalist society alone will remain. The same will continue with all its faulty features for any longer period of time. The exploiting class will consume 'surplus value' as before.

Serving the masters day and night both at home and outside along with the infants and shedding its blood, tormenting its flesh, foregoing its comfort and peace as before, the working class perish.

All the countries will continue as 'dominating' countries and 'subservient' countries. All the dominating countries, while entering into pacts or waging wars as before for the sake of profits, destroy the working class and the masses of labour.

Society produces many lowly, cruel and ugly problems that are severe than hunger and that make 'hunger' a very small problem.

Hereafter this would be the kind of 'human society'.

If the labouring class cannot accomplish 'New Society', we have to tolerate the capitalist society as long as human beings exist in Nature.

If the labouring class can not build the 'New Society', it(the class) will have to remain in that 'agony' and 'slavery'.

If the New Society itself is unstable and untruth, the capitalist society itself will be stable, true and eternal!

Any one thing is possible either in the exploitative society or in the New Society!

Either 'exploitation' or 'liberation' there is no third way!

## Introduction to Marx's 'Capital' is over!

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# Have you seen volumes 1 & 2 of this Introduction?

## Contents of Volume 1

### Part 1: Commodities and Money


1. Two Aspects of a Commodity
2. Two Aspects of Labour that Produces a Commodity
3. Form of value
4. Elementary form of value
5. Expanded form of value
6. General form of value
7. Development of the 'Relative' and 'Equivalent' Aspects of the Form of value
8. Money Form
9. Fetishism of Commodities
10. Circulation of Commodities


### Part 2: Process of capitalist production


1. Profit
2. The Value of 'Labour Power'
3. Labour Process (Process of Production)
4. Constant Capital and Variable Capital; Fixed Capital and Circulating Capital
5. Rate of Surplus Value (Degree of Exploitation)
6. Looking at the 'value portions' of the commodity in terms of the 'portions of the commodity'
7. Working Day


## Contents of Volume 2

### Part 1: Process of Capitalist Reproduction


1. Capitalist Mode of Production and its Forms
2. Manufacture
3. Machinery and Large-scale Industry
4. Capital Subjugates Labour
5. Productive Labour and Unproductive Labour
6. Expansion of Capital


### Part 2: Process of Capitalist Circulation


1. Costs of Circulation
2. Capitalist Price


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# Appendix: Chapters in Marx's 'Capital'

Marx's 'Capital' consists of 6 books (4 volumes) in all. I am giving here the titles of the chapters in all the 4 volumes.

## Chapters in volume 1

1. Commodities
2. Exchange
3. Money or the Circulation of Commodities
4. The General Formula for Capital
5. Contradictions in the General Formula of Capital
6. The Buying and Selling of Labour-Power
7. The Labour- Process and the Process of Producing Surplus-Value
8. Constant Capital and Variable Capital
9. The Rate of Surplus-Value
10. The Working-Day
11. Rate and Mass of Surplus-Value
12. The Concept of Relative Surplus-Value
13. Co-operation
14. Division of Labour and Manufacture
15. Machinery and Modern Industry
16. Absolute and Relative Surplus-Value
17. Changes of Magnitude in the Price of Labour-Power and in Surplus-Value
18. Various Formulae for the Rate of Surplus-Value
19. The Transformation of the Value (and Respectively the Price) of Labour-Power into Wages
20. Time-Wages
21. Piece-Wages
22. National Differences of Wages
23. Simple Reproduction
24. Conversion of Surplus-Value into Capital
25. The General Law of Capitalist Accumulation
26. The Secret of Primitive Accumulation
27. Expropriation of the Agricultural Population from the Land
28. Bloody Legislation against the Expropriated, from the End of the 15th Century. Forcing down of Wages by Acts of Parliament
29. Genesis of the Capitalist Farmer

30. Reaction of the Agricultural Revolution on Industry. Creation of the Home-Market fore Industrial Capital
31. Genesis of the Industrial Capitalist
32. Historical Tendency if Capitalist Accumulation
33. The Modern Theory of Colonisation

## Chapters in volume 2

1. The Circuit of Money-Capital
2. The Circuit of Productive Capital
3. The Circuit of Commodity-Capital
4. The Three Formulas of the Circuit
5. The Time of Circulation
6. The Costs of Circulation
7. The Turnover Time and the number of Turnovers
8. Fixed Capital and Circulating Capital
9. The Aggregate Turnover of Advanced Capital. Cycles of Turnover
10. Theories of Fixed and Circulating Capital. The Physiocrats and Adam Smith
11. Theories of Fixed and Circulating Capital. Ricardo
12. The Working Period
13. The Time of Production
14. The Time of Circulation
15. Effect of the Time of Turnover on the Magnitude of Advanced Capital
16. The Turnover of Variable Capital
17. The Circulation of Surplus-Value
18. Introduction
19. Former Presentations of the Subject
20. Simple Reproduction
21. Accumulation and Reproduction on an Extended Scale

## Chapters in volume 3

1. Cost-Price and Profit
2. The Rate of Profit
3. The Relation of the Rate of Profit to the Rate of Surplus-Value
4. The Effect of the Turnover on the Rate3 of Profit
5. Economy in the Employment of Constant Capital
6. The Effect of Price Fluctuations
7. Supplementary Remarks
8. Different Composition of Capitals in Different Branches of Production and Resulting Differences in Rates of Profit

9. Formation of a General Rate of Profit (Average Rate of Profit) and Transformation of the Values of Commodities into Prices of Production
10. Equalisation of the General Rate of Profit Through Competition. Market-Prices and Market-Values. Surplus-Profit.
11. Effects of General Wages Fluctuations on Prices of Production
12. Supplementary Remarks
13. The Law as Such
14. Counteracting Influences
15. Exposition of the Internal Contradictions of the Law
16. Commercial Capital
17. Commercial Profit
18. The Turnover of Merchant's Capital. Prices
19. Money-Dealing Capital
20. Historical Facts about Merchant's Capital
21. Interest- Bearing Capital
22. Division of Profit. Rate of Interest. Natural Rate of Interest
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8. Herr Rodbertus New Theory of Rent. (Digression)
9. Notes on the History of the Discovery of the so-called Ricardian Law of Rent. (Supplementary Notes on Rodbertus) (Digression)
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